

**SOFTWARE SPECIFICATIONS AND EDITS
FOR ANNUAL WAGE REPORTING
Tax Year 2004**

**FOR PREPARING PAPER FORMS W-3
AND COPY A OF FORMS W-2
FOR THE SOCIAL SECURITY ADMINISTRATION**



**Social Security Administration
Office of Finance, Assessment and Management
Office of Financial Policy and Operations
SSA Publication No. 31-011
ICN 436680
July 2004**

Table of Contents

Introduction.....	1
Chapter 1 - General	
When May I Use W-2/W-3 Paper Forms?.....	2
Paper vs. Magnetic Media/Electronic Filing Requirements	2
A Quick Glance at Computerized Filing Options.....	3
Highlights of Tax Year 2004 Changes.....	6
Where Can I Get W-2/W-3 Forms?	7
What Time Period is Covered on the W-2 Copy A	8
How Many Parts are There of the Forms W-2 and W-3?	8
When are W-2 Copy A and the W-3 Transmittal Due to SSA?	9
What are the Rules for Entering and/or Typing the Data?.....	9
How Should I Prepare the Forms for Submission to SSA?	9
How do I Send the Forms if I Need to Send More than One Package?.....	10
Where Should I Send the Paper Forms?	11
Who Should Sign Form W-3?.....	11
Can I Get More Time to File?.....	11
How Can I Correct a W-2 or W-3 Reporting Error?	12
Balancing and Reconciling of Annual Wage Reports	16
Penalties	17
Record Retention	18
How Can I Verify Employee Names and/or Social Security Numbers?	18
How May I Obtain Additional Copies of this Publication?.....	20
Who Should I Contact if I Have a Question?	20
Comments	20
Chapter 2 - Special Considerations	
Terminating a Business.....	21
Kind of Payer	21
Government Employers	22
Common Pay Agent Reporting.....	23
Third-Party Sick Pay.....	25
Part I - What Part of Third-Party Sick Pay is Taxable?	26
Part II - Who Pays the Taxes and Who Reports the Information?	27
Reporting Requirements - Liability is Transferred.....	29
Liability is not Transferred - Third-Party Provider is Responsible	34
Chapter 3 - Standards, Specifications and Edits	
Introduction.....	35
Form W-2	36
Form W-3	49
Chapter 4 - Common Errors - Dos and Don'ts	
Overall.....	57
Data Entry	57

Boxes that Contain Amounts	58
Employer Identification Number	58
Employee Social Security Number	58
Employee Name	59
 Chapter 5 - Reporting Examples for Preparing Paper Forms W-2, W-3, and 941	
Introduction	61
Inquiries	61
What is the Social Security and Medicare Tax Amount?	61
Exhibits: Payroll Register Data Tables	62
 Part I: Cabot Cove Case Scenario Wage and Tax Deposit Data – Forms W-2, W-3 and 941	
Introduction	69
Payroll Register vs. Forms 941	69
Forms 941 vs. Forms W-3	70
Forms W-3 vs. Forms W-2	70
Annual Mock-up Form 941, Quarterly Forms 941	72
Forms W-3 for Forms W-2, Cabot Cove School District	77
 Part II: Cabot Cove Case Scenario Employee Wage and Tax Statements - Correct vs. Incorrect Reporting	
Introduction	79
Form W-2, Wage and Tax Statement:	
Reporting Employee Names and Social Security Numbers	80
Reporting Social Security/Medicare Wages and Taxes	81
Reporting FICA Exempt Wages and Taxes	84
Reporting Group-Term Life Insurance Over \$50,000	85
Reporting Third-Party Sick Pay	87
Reporting Third-Party Sick Pay Recap	89
Reporting Third-Party Sick Pay Liability Not Transferred	90
Nonqualified Deferred Compensation	92
Split Reporting Option	94
Optional Combined Reporting	96
 Part III: Wiremasters Company Case Scenario Special Reporting Situations	97
Exhibits: Payroll Register Data Tables	98
Annual Mock-up Form 941, Quarterly Forms 941	102
Form W-3 for Forms W-2, Wiremasters Company	107
Forms W-2 Wage and Tax Statements, Wiremasters Company	108
 Appendix A: Employer Checklist	113
Appendix B: SSA's Regional Employer Service Liaison Officers	117
Appendix C: IRS/SSA Publications	119
Appendix D: Chart to Relate Paper W-2/W-3 Entries to Magnetic Media Reporting and Electronic Filing Data Fields	121
Appendix E: Acronyms	123

Introduction

Welcome to the Software Specifications and Edits for Annual Wage Reporting – Tax Year (TY) 2004 booklet. This booklet is intended for Employers, Human Resource/Payroll Departments and Software Developers who use and/or produce paper W-2, *Wage and Tax Statements* and W-3, *Transmittal of Wage and Tax Statements* reporting forms.

One of the best rewards employers can provide to their employees is the accurate reporting of their earnings to the Social Security Administration (SSA). SSA uses the W-2 Copy A and W-3 to determine eligibility to and amount of benefits employees and their families may receive. These may be benefits they are receiving now or will receive in the future. The initial step to offering our benefits is to determine past and present earnings.

We offer a number of benefits. These benefits are:

- ❑ Retirement Insurance – monthly benefits for retired workers as early as age 62.
- ❑ Disability Insurance – monthly benefits for people, including children, who have a qualifying disability.
- ❑ Family Insurance – monthly benefits for spouses and children of retired or disabled workers.
- ❑ Survivors Insurance – monthly benefits for widows/widowers and children of deceased workers.
- ❑ Medical Insurance – benefits to help pay for hospital bills and other types of medical services.

Our focus is to provide you with the information, tools, formats and other necessary components to correctly report employee wage/earning information on paper forms. Inserting the correct dollar amount in the correct box is just one of the steps toward providing quality information. Legibility, proper use of decimal points, periods, dollar signs, commas and proper sizing of boxed areas are all integral parts of providing readable, optically scannable and acceptable data.

Remember that your employees' benefits could depend on how you report their wage information.

We have many resources available to meet your needs for successful completion of paper W-2 and W-3 wage reports. Some are presented here, while other resources are just a telephone call or website away. Examples of Forms W-2 and W-3 and the reconciliation of the forms to the Internal Revenue Service (IRS) reports are given in later chapters along with a section showing common errors. Appendices indicating SSA offices, other related publications and websites are contained in the back of this booklet.

Chapter 1: General

When May I Use W-2/W-3 Paper Forms?

Paper Forms W-2 and W-3 may be filed with SSA in certain circumstances, as detailed in the chart below.

If	Then
You have less than 250 employees...	YES , paper Forms W-2 and W-3 may be used. <i>(Have you considered electronic or magnetic media filing?)</i>
You have 250 or more employees...	NO , you <i>must</i> file using magnetic media/electronic filing.
You have 250 or more employees and missed or forgot an employee's record on the magnetic media/electronic file...	YES , paper forms may be used for the employee files missed or forgotten, but the number of forms cannot exceed 249.

Paper vs. Magnetic Media/Electronic Filing Requirements

We offer many computerized methods to file Forms W-2 Copy A and W-3 such as:

- ❑ Filing electronically - either upload a wage report or use the **W-2 Online** option.
- ❑ Using magnetic media - Tape, Cartridge or Diskette. CAUTION: TY 2004 is the last year we will accept tape or cartridge submissions. TY 2005 is the last year we will accept diskette submissions. **All magnetic media filers will have to convert to electronic filing.**
- ❑ Transmitting via Electronic Data Transfer (EDT) - Some State and Federal agencies, have the option of transferring data over a dedicated line to electronically exchange pertinent program and benefit information.

We encourage you to use an automated method or the Internet to file your wage reports. Using this technology increases the accuracy rate, decreases the processing time and is convenient for most employers, certified public accountants and payroll service providers.

Please note that instructions for completing, filing and mailing paper Forms W-2 and W-3 are different from the instructions for completing, filing and sending the magnetic media/electronic filing to SSA.

A Quick Glance at Computerized Filing Options

Almost every year we are able to offer new and improved ways for you to file your Forms W-2 and W-3 using an Internet method. A brief summary of our computerized filing options is below. If you have questions about any of these methods or desire more information, we provide Internet addresses, telephone listings and publications where you can obtain additional information. You may call the Employer Service Liaison Officer (ESLO) who serves your region for additional assistance (see Appendix B).

We periodically schedule training seminars, covering topics on electronic filing. Your ESLO can give you more information on upcoming seminars or you can check the Internet for a listing of seminars near you.

The seminars include coverage of Business Services Online (BSO), a suite of Internet services for businesses that exchange information with SSA. For more information on BSO, visit our website at: <http://www.socialsecurity.gov/bsowelcome.htm>

Use BSO to:

- ☐ Submit an electronic file containing annual wage data;
- ☐ Create, print, save and submit Forms W-2 online;
- ☐ View status, notice and error information with your wage-data submissions;
- ☐ Acknowledge a notice from SSA asking you to resubmit your wage data;
- ☐ Request a one-time 15 day extension requiring you to resubmit your W-2 data;
- ☐ Practice on our BSO tutorials which provide an overview on how to use the BSO products;
- ☐ Submit up to five Forms W-2C online. This new feature for TY 2004 is for users who wish to file online corrections to previously submitted Forms W-2.

Did you know that:

If you file Forms W-2 Copy A and W-3 with SSA *electronically*,

Then the due date for filing these forms with SSA is extended until March 31, 2005 (versus the paper filing due date of February 28, 2005).

We are always looking for new and better ways to receive and process data. The following is a program that we are now piloting with pre-selected organizations:

Social Security Number Verification Service (SSNVS) - An online service where you can verify your employee's name and SSN against SSA's records. We will verify if the date of birth (DOB), gender, SSN and name of your employee properly match to our records. The results of your request are usually available within 24 hours.

If you find a computerized method that suits your filing needs, go ahead and register to use it – in most cases that can be done online as well.

Electronic and Magnetic Media Filing Methods

Create Forms W-2 Online - This feature is geared to and already favored by many small business filers. You can create, print, view, save and submit up to 20 Forms W-2 online. You can also print out the forms for filing with your employees and State and local governments. Using the **W-2 Online** software, you can store your unsubmitted Forms W-2 on your computer for up to 90 days. Certain restrictions do apply. We offer this method through our **BSO**.

Upload a Wage File - You can transmit an electronic file containing W-2 data to SSA over the Internet. We even offer AccuWage software that you can download from the Internet to your work station to verify that your file complies with the Magnetic Media Reporting and Electronic Filing for W-2 (MMREF-1) format for the tax year. You may submit a test file to verify transmission capability. We offer this method through our **BSO**.

EDT - This option is only available to Federal and State agencies. The agencies can connect directly to SSA via a dedicated telecommunications line to transmit the filing information.

Magnetic Media Filing (Magnetic Tape, Cartridge or Diskette) - You can create a program and file your own wage reports on magnetic media or you may choose to use off-the-shelf software meeting SSA requirements. Visit the SSA Vendor List at <http://www.socialsecurity.gov/employer/vendor.htm> for a listing of companies that offer wage reporting services and/or products.

For TY 2004, SSA accepts the following magnetic media for W-2 reporting:

- ❑ 3480/3480E cartridges
- ❑ 3490/3490E cartridges
- ❑ 3 ½" MSDOS compatible high or double density diskettes
- ❑ ½ inch magnetic tape

Please note: Magnetic Media options will phase-out according to the following schedule:

- ❑ The last year you may file using cartridges or tapes is for TY 2004.
- ❑ The last year you may file using diskettes is for TY 2005.
- ❑ **You must use electronic filing to send us your submission beginning with TY 2006.**

Information on Computerized Filing Methods - To obtain information on any of the above magnetic media or electronic filing methods, you may:

- ❑ Call 1-800-772-6270 or 1-800-772-1213 Monday through Friday, 7:00 a.m. to 7:00 p.m. Eastern Time. For TDD/TTY call 1-800-325-0778. If you are blind or print impaired, call our Braille Services at 410-965-6414 between 7:00 a.m. to 7:00 p.m. Monday through Friday.
- ❑ Access the Internet at <http://www.socialsecurity.gov/employer> and browse through the various sections offered in our Employer Reporting Instructions and Information website.
- ❑ For specific information go to <http://www.socialsecurity.gov/employer>, select Forms and Publications and click on the publication of interest to you such as:
 - BSO Handbook,
 - MMREF-1-TY04, and
 - Vendor List for Magnetic Media and Electronic Filing.
 - For information on training classes, use the same website, <http://www.socialsecurity.gov/employer>, and select Training Seminars.
 - Contact your ESLO as listed in Appendix B.



CAUTION: If you file paper forms, do not file the same information electronically, or vice versa. Duplication of information causes processing delays, inaccurate employees' SSA earnings records and benefits, tax audits and possible tax liabilities.

Highlights of Tax Year 2004 Changes



The following changes for TY 2004 impact your reporting of W-2/W-3 annual wage information.

- ✓ **Social Security taxes will be withheld at the rate of 6.2 percent up to \$87,900 of employee wages.** Medicare taxes continue to be withheld at a rate of 1.45 percent on all wages. The change affects the specifications and edits for Form W-2, boxes 3, 4 and 7.
- ✓ **2004 Forms W-2 and W-3 have a new size.** Now the official and laser printed versions of forms W-2 and W-3 are the same size. This enables programmers to write universal code for use on both types of forms. Make sure your Forms W-2 Copy A and W-3 reflect these changes.
- ✓ **The dollar signs have been removed on 2004 Forms W-2 Copy A and W-3.** We did this to allow more space in each of the boxes.
- ✓ **With your employee's consent, you may be able to furnish W-2 copies B, C and 2 electronically to your employees.** See IRS Publication 15-A for more information.
- ✓ **Advanced Earned Income Credit (EIC)** - The maximum amount of the advance EIC increased to \$1,563. This change affects the specifications and edits for Form W-2 box 9.
- ✓ **Code T – Adoption Expenses** - The exclusion amount for “Code T,” Adoption Expenses, has increased to \$10,390. The change affects standards, specifications and edits for Form W-2 boxes 12a-12d.
- ✓ **Code W - Health Savings Accounts (HSA)** - New code for use in box 12 of Form W-2. Employer contributions to an HSA are designated with a “Code W” and the amount and code placed in box 12.
- ✓ **Section 457(b) Governmental plan distributions made after December 31, 2001 to State and local agencies are generally reported on Form 1099-R.** See IRS Notice 2003-20 for more details.
- ✓ **New for Form 8809** – By sending Form 8809 to the IRS, an automatic extension of 30 days is granted for filing Forms W-2 Copy A with SSA.

- ✓ **February 28, 2005 is the due date to SSA of paper Forms W-2 Copy A and W-3.** File Copy A of Forms W-2 with the entire first page of Form W-3 with SSA by February 28, 2005.
- ✓ **Privacy Act and Paperwork Reduction Act Notice has been moved.** This notice has been moved to the back of Form W-2 Copy D.
- ✓ **W-2C Online application has been added for users who wish to file online corrections to previously submitted Forms W-2.** This application will allow up to five Forms W-2c in each report.

Where Can I Get W-2/W-3 Forms?

You must use standardized forms. You can get the official IRS W-2 and W-3 paper forms from the IRS, by visiting the IRS website at www.irs.gov or by calling 1-800-829-3676 (1-800-TAX-FORM). If calling, please allow at least 10 days for delivery. Local IRS offices stock these forms. The IRS also has current forms, instructions and publications available on a CD-ROM that you may purchase. You may purchase the CD-ROM by calling 1-877-CDFORMS or ordering the CD-ROM online at the www.irs.gov website.

Check the forms to make sure that the W-2s and W-3s are for the same tax year and the tax year for which you are filing your employee information.



Please note that because we process the paper forms by optical scanners, you cannot file Forms W-2 and W-3 that you print from the IRS Website with SSA. We allow substitute forms which are forms printed by parties other than the IRS. The substitute forms **must** meet the standards described in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.

We accept laser printed forms as well as the standard red drop-out ink accepted in prior years. Laser printed forms require initial approval. To receive approval, you may first contact us via email at laser.forms@ssa.gov to obtain a template and further instructions. Or, you may send your initial sample laser-printed substitute forms to:

Social Security Administration
Wilkes-Barre Data Operations Center
ATTN: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

Red-ink substitute forms that conform to the specifications in IRS Publication 1141, may be privately printed without prior approval from the IRS or SSA.

Go to our website: <http://www.socialsecurity.gov/employer/vendor.htm> for information on vendor provided products and/or services that may aid you in your annual wage filings of Forms W-2 and W-3.

Substitute forms for territories, W-2AS (American Samoa); W-2GU (Guam); W-2CM (Commonwealth of the Northern Mariana Islands); and W-2VI (Virgin Islands) also are to conform to the specifications as outlined in IRS Publication 1141.

If you use a software package to prepare your Forms W-2 and W-3, make sure it is compliant with IRS Publication 1141. If you are a software vendor desiring to have your forms approved, follow the instructions in IRS Publication 1141.

What Time Period is Covered on the W-2 Copy A?

The earnings information reported on Form W-2 Copy A must be for a calendar year basis which covers the period of January 1 through December 31. Please make sure the W-2 forms you are using are for the year of earnings data you are reporting.

How Many Parts are There of the Forms W-2 and W-3?

The official IRS Form W-2 contains six (6) parts as described below:

- ☐ Copy A – For SSA;
- ☐ Copy 1 – State, City or Local Tax Department;
- ☐ Copy B – To Be Filed With Employee’s Federal Tax Return;
- ☐ Copy C – For Employee’s Records;
- ☐ Copy 2 – To Be Filed With Employee’s State, City, or Local Income Tax Return;
- ☐ Copy D – For Employer.

The official IRS Form W-3 is a one part form that requires a signature from an authorized signer. The Form W-3 must accompany any Forms W-2. Remember to make a photocopy of Form W-3 to retain for your records.

The employer is responsible for:

- ☐ Filing the Forms W-2 (Copy A) and Form W-3 with SSA;
- ☐ Distributing copies to employees (Copy B, Copy C, and Copy 2 of Form W-2);

- ❑ Filing with the appropriate State, city and local taxing authorities (Copy 1 of Form W-2). Contact your State or locality for specific reporting information and;
- ❑ Retaining a copy for your records (Copy D of Form W-2).

When are W-2 Copy A and the W-3 Transmittal Due to SSA?

For TY 2004, file Forms W-2 Copy A and the W-3 with SSA by **February 28, 2005**.

What are the Rules for Entering and/or Typing the Data?

Chapter 3 and Chapter 4 provide in-depth detail on the overall requirements to properly complete each box on the Forms W-2 Copy A and W-3, as well as how to avoid common mistakes.

For your convenience, some quick tips on proper formatting are offered below.

- ❑ Entries should be made in black ink and if possible, use 12-point Courier font.
- ❑ Make all dollar entries **without** the dollar sign and **without** the comma but use the decimal point and show the cents portion of money amounts.
- ❑ Do not erase, whiteout or strike over an entry.
- ❑ Do not use script, inverted font, italics and/or dual case fonts when entering data on the forms.
- ❑ Enter in the first half of the Form W-2 box e, the first name and middle initial of your employee. In the second half of box e, enter your employee's last name. See Chapter 4: Common Errors - Dos and Don'ts. A section is dedicated on how to avoid common errors on the reporting of your employees' names.

How Should I Prepare the Forms for Submission to SSA?

Please note the following directions when preparing and assembling your paper Forms W-2 Copy A and W-3 for mailing to **SSA**.

Grouping of Forms

Generally, Forms W-2 Copy A are grouped by type of W-2 form and by kind of payer. A separate Form W-3 should accompany each grouping of W-2s. Most companies only issue one type of Form W-2 and have only one kind of payer. See Chapter 2: Special Considerations under "Kind of Payer" for more information.

Preparation

You may choose one of the two allowable methods to properly organize and prepare your Forms W-2 Copy A. Your Forms W-2 Copy A may be prepared either:

- ☐ Alphabetically by your employees' last names;

OR

- ☐ Numerically in order by your employees' SSNs.

Assembling

- ☐ Do **NOT separate** the W-2 Copy A forms. The entire sheet should remain intact. Submit the entire W-3 transmittal form, as well.
- ☐ Do **NOT send cash, checks or money orders.**
- ☐ Do **NOT staple** any of the forms (W-2s or W-3) together.
- ☐ Do **NOT tape** any of the forms (W-2s or W-3) together.
- ☐ Do **NOT bend or fold** the forms (W-2s or W-3). Send in a flat mailing envelope.

These forms are read by optical scanners. Staple holes, folds, tape and/or tears cause the optical scanners to jam.

How do I Send the Forms if I Need to Send More than One Package?

If you need to send multiple packages due to the large quantity of paper forms you are filing (no more than 249, see page 2 for limitation), please note the following:

You may send more than one package but you must:

- ☐ Indicate the number of packages that you are sending on your completed Form W-3 at the bottom of the form below the title.
- ☐ Place the completed Form W-3 in the first package.
- ☐ Number each package in order, i.e. 1 of 3, 2 of 3 and 3 of 3.
- ☐ Show your name and employer identification number (EIN) on each package.
- ☐ Send the Forms W-2 Copy A and W-3 to SSA by First-Class Mail.

Where Should I Send the Paper Forms?

Mail ONLY paper W-2 Copy A and W-3 Transmittal forms to the addresses listed below.

Regular Mail

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Certified Mail

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0002

Other IRS-Approved

Private Delivery Service*

Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

*See IRS Circular E (Publication 15) for listing of approved Private Delivery Service carriers.

Please note: Do not use this address to mail magnetic media tapes, cartridges or diskettes. Also, do not send paper correction Forms W-2c and W-3c to the address listed above.

Who Should Sign Form W-3?

Employers typically sign the Form W-3. Other senders such as a service bureau, paying agent or disbursing agency may sign Form W-3 on your behalf, if the sender:

- ☐ Is authorized orally, in writing or implied by an agency agreement that is valid under State law

AND

- ☐ Writes "For (name of payer)" next to the signature.

Please note: Even if an authorized person signs the Form W-3, the responsibility for accurate and timely filing still rests with the employer.

Can I Get More Time to File?

Need extra time to file Forms W-2 Copy A with SSA? Fill out IRS Form 8809 - Application for Extension of Time to File Information Returns. By sending Form 8809 to IRS, you will receive one automatic 30 day extension of time to file your Forms W-2 Copy A with SSA. No signature or explanation is required for the first extension request. The automatic extension is 30 days from the original due date of Forms W-2 Copy A.

Requests for an additional extension of time are **not** automatically granted. Before the first extension expires, you may request one additional extension of not more than 30 days by submitting a second Form 8809. This second extension requires IRS written approval.

You can get IRS forms by visiting their website at www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM). If requesting delivery of forms through the mail, please allow at least 10 days for delivery.

IRS Form 8809 **must** be:

- ☐ Filed by the due date of the W-2 Copy A. If this request is filed after the due date of the W-2 Copy A, an extension cannot be granted.
- ☐ ***Sent to the IRS address*** indicated on the form.
- ☐ Completed in the format as specified by the IRS as there are specific rules on paper vs. electronic filing of the extension form.

CAUTION: IRS Form 8809 extension for Forms W-2 is **ONLY** for the Form W-2 Copy A; the copy sent to SSA. The filing extension does **NOT** apply to W-2s due to your employees or the W-2s you are required to file with your State or local jurisdictions. Please contact the IRS for more information on late filings to employees and contact your applicable State and local authorities for an extension to file their copy of the W-2.

How Can I Correct a W-2 or W-3 Reporting Error?

This section provides information on using ***paper*** Forms W-2c and W-3c. It highlights some of the situations you may encounter if you have to correct W-2s and the W-3 transmittal. These illustrations are not meant to be comprehensive. You will find more information from both SSA and the IRS by:

- ☐ Requesting SSA Publication No.31-031, ***Software Specifications and Edits for Correcting Annual Wage Reports*** by visiting our website at <http://www.socialsecurity.gov/employer> or calling 1-800-772-6270 or using Appendix B to contact your ESLO. This publication is currently being revised with new regulations and information so keep checking the website for the updated version.
- ☐ Requesting IRS ***Instructions for Forms W-2c and W-3c*** and the official Forms ***W-2c and W-3c*** by visiting www.irs.gov or calling 1-800-829-3676 (1-800-TAX-FORM).

Note: For W-2c and W-3c Magnetic Media/Electronic Filing information and instructions, you may use the SSA Publication MMREF-2.

How Can I Correct the Employee's Copy of the W-2

Correcting wage data involves understanding the type of error that occurred, the timing of the mistake and using the right forms. If you report an incorrect *amount* to SSA and the employee, then you must make the correction by filing Forms W-2c and W-3c. However, if you correct the

data before you send us the paper forms or if the only incorrect data is an incorrect employee address, then Forms W-2c and W-3c are not required.

Voids

If you find an error after the W-2 is issued to the employee but *before the W-2 Copy A is sent to SSA*, check the “Void” box on the top of the original W-2 Copy A. Complete a new Form W-2, mark “Corrected” on copies B, C and 2 and send them to the employee.

Send us the new W-2 Copy A along with all the other W-2 Copy A sheets (including any other W-2s Copy A marked “void”).



CAUTION: Do **NOT** include *Void* W-2s in the total count in box c of the W-3 transmittal.

Incorrect Employee Address on W-2 Form

If all other information on the W-2 Copy A is correct *except* the employee’s address, a W-2c should **NOT** be filed with SSA, but you **must** correct the employee’s copy of the W-2 by doing one of the following:

- ☐ Mail or otherwise deliver to the employee, the Form W-2 containing the incorrect address in an envelope labeled with the correct address.

OR

- ☐ Issue a new Form W-2 to the employee with the new address and all other information fully completed on the W-2. The employee’s copies (B, C and 2) **must** be marked “REISSUED STATEMENT.”



CAUTION: Do **NOT** send the W-2 Copy A with the new address to SSA.

OR

- ☐ Issue a Form W-2c to the employee showing the correct address in box “f”.



CAUTION: Do **NOT** send the W-2c for the employee address correction to SSA.

Incorrect Employee Name and/or SSN

If the original W-2 Copy A has already been filed with SSA, then a W-2c **must** be filed with SSA. Fill in only the alpha boxes “a” through “i” where appropriate on the W-2c. The numeric boxes, 1-20, are left blank.

You may furnish W-2c copies B, C and 2 to the employee but you must advise your employee to correct the SSN and/or name on his or her copy of the originally issued W-2.

File a Form W-3c whenever you file a Form W-2c, even if you are only filing Form W-2c to correct an employee's name and/or SSN.

Incorrect Amounts

A W-2c must be completed if amounts are incorrect on the original W-2 Copy A filed with SSA. For boxes 1-20:

- ☐ If the *Previously reported* and *Corrected information* amounts are not being changed for a particular box, leave the boxes blank. Do not make an entry in these boxes on W-2c Copy A unless there is a change.
- ☐ If any item shows a dollar change and one of the amounts is zero, enter "0". Do not leave the box blank.
- ☐ Enter under *Previously reported* the amount reported on the original Form W-2 Copy A.
- ☐ Enter under *Correct information* the correct amount.
- ☐ Special rules may apply for boxes 3, 5 and 7 if you are a State, local or Federal employee. Please see **Software Specifications and Edits for Correcting Annual Wage Reports** for more information.
- ☐ **Boxes 15-20** - If you are only correcting information/amounts in boxes 15-20, please **do not** send the W-2c Copy A to SSA. Please check on the proper method to file correcting data with your State and local tax reporting authorities.
- ☐ File a Form W-3c whenever you are required to file a Form W-2c Copy A with SSA, even if you are only filing Form W-2c to correct an employee's name and/or SSN.

My Employee Lost the Copies of the W-2 Issued to Him/Her, What do I do?

You may furnish your employee with a new copy of his/her W-2. Write "REISSUED STATEMENT" on the new copies furnished to your employee. Do not send Copy A of the reissued Form W-2 to SSA.

The Only Error I Have is on the Original Form W-3 Sent to SSA

Situations do arise where you only need to file a Form W-3c without any accompanying Forms W-2c Copy A.

If the only error you need to correct is an error made on the original Form W-3,

Then you only need to file a Form W-3c with SSA if the changes pertain to boxes 1-14. If your correction applies to State and local information in boxes 16-19, please check with the appropriate State/local tax authorities for their requirements.

Where do I Send the W-2c or W-3c?

Mail paper Forms W-2c and W-3c to the following address.



Note that paper Forms W-2c and W-3c are sent to different locations than the original W-2s and W-3.

Regular or Certified Mail

Social Security Administration
Data Operations Center
P.O. Box 3333
Wilkes-Barre, PA 18767-3333

Other IRS-Approved Private Delivery Service

Social Security Administration
Data Operations Center
Attn: W-2c Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

New Magnetic Media/Electronic Reporting Requirements for Form W-2c

If during a calendar year you are required to file 250 or more Form W-2cs, you ***must*** now file these corrections using electronic or magnetic media reporting methods unless the IRS granted you a waiver. This only applies if the corrections on Form W-2c are for the immediate prior tax year. W-2cs for years before 2002 are not counted for purposes of the new threshold.

The IRS may grant you a waiver from this requirement. See Form 8508, *Request for Waiver From Filing Information Returns Magnetically*, for filing information. Submit Form 8508 at least 45 days before you file Forms W-2c.

W-2C Online

The W-2C Online application is for users who wish to file online corrections to previously submitted Forms W-2. This new feature for TY 2004, will use some of the same functionality currently used in W-2 Online and allows up to five Forms W-2C in each report.

Use the Correct Forms W-2c and W-3c

The latest revision by the IRS to Forms W-2c and W-3c was December 2002. You must use these revised forms when submitting corrections.

Balancing and Reconciling of Annual Wage Reports

SSA uses wage information to determine entitlement for and the amount of benefits employees and their families may receive. We want your employees to receive the correct amount of benefits based on their wages, so we need you to accurately report your payroll information.

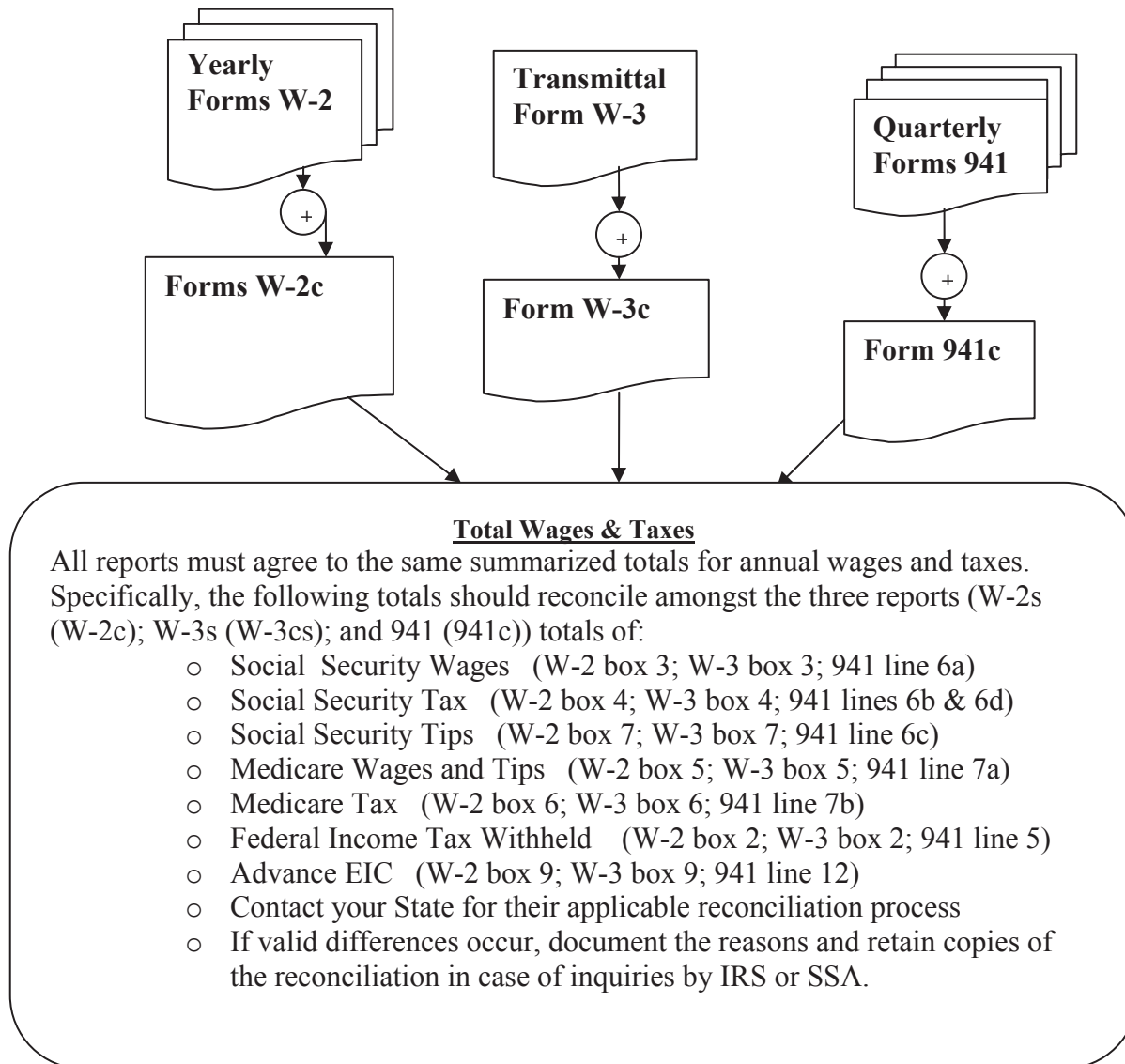
The totals of your original Forms W-2 and any corrections from Forms W-2c should agree to the grand total of your transmittal Form W-3 and any correcting transmittal Forms W-3c filed. The checking and balancing of wage information does **NOT** end there. IRS, in cooperation and conjunction with SSA, reviews the information reported on the quarterly 941- Employer's Quarterly Federal Tax Return or Form 943 - Employer's Annual Return for Agricultural Employees and any correcting Forms 941c filed. If any differences are noted between the reports and their totals, either SSA or IRS will contact you.

Before submitting reports or after making changes and corrections, remember to follow through to make sure totals on wage reports balance and agree with each other.

Situations may arise where valid differences amongst the forms could occur. Document the differences and their reasons. Keep copies of your reconciliation in case of inquiries either by the IRS or SSA.

Please remember:

- ❑ Reconcile the totals of W-2s and W-2cs to the cumulative total of the W-3 and W-3c for the applicable tax year.
- ❑ Reconcile the totals from IRS Forms 941 or 943 and 941c to the grand totals from above for the same tax year. Caution: Form 941c is not filed on its own. It is filed and attached with a current Form 941. When reconciling, make sure you are agreeing totals for the correct tax year.
- ❑ Forms 941, 943, and 941c report both the employee and employer's Social Security and Medicare taxes withheld which is double or twice the amount reported on Forms W-2 and W-3. Forms W-2 and W-3 show just the employees' Social Security taxes withheld. Please remember to take that into consideration when reconciling the totals.
- ❑ Reconcile equivalent reports such as Transmitter Report and Summary of Magnetic Media Form 6559 filed with SSA with any correcting Forms W-2c and W-3c and with Forms 941 (943) and 941c filed for the same tax year.



Penalties

The law requires IRS to consider imposing penalties on nonconforming Forms W-2 based on a multi-tier system. The IRS 2004 Instructions for Forms W-2 and W-3 provide a complete description of the penalty provisions. The penalty amounts are based on when correct information is filed. SSA advises IRS of the dates of receipt of all late-filed reports and the IRS determines if penalties are applicable.

Reasons for penalties include but are not limited to:

- ❑ Failure to file machine-readable paper forms.

- ❑ Failure to file timely.
- ❑ Failure to include all information required.
- ❑ Failure to file correct information.
- ❑ Failure to file on magnetic media/electronically when required.
- ❑ Failure to file correction data.



Please note: An employer is not relieved of the responsibility to ensure Forms W-2 are filed timely and correctly with SSA and employees just because a reporting agent or third-party payroll service provider is used.

Record Retention

We may contact you with questions regarding the W-2 and W-3 information you filed. You must maintain your Forms W-2 and W-3 for at least 4 years.

Employer copies of W-2 →
 Employer copies of W-3 →
 *Undeliverable original W-2s →
 Employer copies of W-2c & W-3c →

**Must be kept
for at least
4 years.**

** Undeliverable employee original W-2s that were returned by the postal service should be maintained and kept by the employer and should **NOT** be sent to SSA.*

How Can I Verify Employee Names and/or Social Security Numbers?

Employers can verify that the names and SSNs of their employees match to the name and SSN on file at SSA. This *free service* is offered year round and is called Employee Verification Services (EVS). Using EVS allows you, the employer or third-party submitter, to make sure names and SSNs match prior to filing the Forms W-2 Copy A and W-3. Checking the names and SSNs up front helps you to reduce the number of errors and corrections you may have to make later. This service also aids in making sure the correct information is posted to the correct employees' Social Security records.

The table below briefly summarizes the verification methods available. For additional information, call the Employer Reporting Branch at 1-800-772-6270, visit the SSA Website at <http://www.socialsecurity.gov/employer> for a copy of the SSA Publication No. 20-004, *EVS, Employer and Third-Party Submitter Instructions* or call your ESLO as listed in Appendix B.

Employee Verification Services

If you want to verify	Then
For a small group of employees/SSNs (1 to 5 names)	Verification will be given over the telephone. Call the Employer Reporting Branch at 1-800-772-6270.
For a large group of employees/SSNs (up to 50 names)	Submit your paper lists to your local SSA office. Some offices can accept fax listings. To find an office near you, visit SSA's website at http://www.socialsecurity.gov/employer or see Appendix B.
For a larger group of employees/SSNs (greater than 50 names)	<p>A simple registration process is required.</p> <ol style="list-style-type: none"> 1. Complete a registration form and privacy act statement and mail or fax the forms to SSA. 2. We will issue a requester identification code and you will be ready to submit your data file or paper listing. 3. Each submittal by paper should not contain more than 300 names and SSNs for verification at a time. Diskette and/or magnetic tape submissions should not contain more than 25,000 names at a time. <p>Publication No. 20-004, <i>EVS, Employer and Third-Party Submitter Instructions</i>, provides the forms and the additional information you will need to use this process.</p>

As noted in Publication No. 20-004: Any information the employer receives from SSA's records is governed by the Federal Privacy Act, 5 USC 552a(1). Under the Act, anyone who obtains this information under false pretenses or uses it for purposes other than that for which it was requested, may be punished by a fine or imprisonment or both.

How May I Obtain Additional Copies of this Publication?

You may obtain additional copies of this SSA publication by:

- ❑ Using the Internet to read and print this publication directly from the employer website :<http://www.socialsecurity.gov/employer/pub.htm>.
- ❑ Contacting your local ESLO (Appendix B).

Who Should I Contact if I Have a Question?

Operational or technical questions should be directed to your respective ESLO listed in Appendix B.

Tax questions or questions on tax law and regulations may be addressed to the IRS Information Reporting Customer Service Site at telephone number 866-455-7438.

Employers with questions concerning the SSA and IRS reconciliation of W-2 data, Medicare reporting error notices and/or questions concerning magnetic media and electronic filing may contact SSA at 1-800-772-6270 on Monday through Friday from 7 a.m. to 7 p.m. (Eastern time).

Comments

Comments or suggestions regarding this document should be forwarded to the:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

Chapter 2: Special Considerations

Terminating a Business

If your company is going out of business or terminating operations, special rules apply for completing the paper Forms W-2 and W-3. The **due date** for the Forms W-2 Copy A and W-3 to SSA for companies terminating are different than the dates for a business continuing operations as a successor employer. Contact your ESLO (see Appendix B) for an explanation.

Forms W-2 Copy A and W-3 to SSA	Are due the last day of the month that follows your <u>final</u> Form 941 return due date to IRS (i.e., 2 months after the close of a quarter).
W-2s to employees	Issue to employees by the due date of the <u>final</u> Form 941.

Kind of Payer

Most companies only have one “kind of payer.” If you have more than one kind of payer, you **must** group the W-2s Copy A by each kind of payer and send with a separate Form W-3 to SSA. See third-party sick pay below for the exception to that rule.

The W-3 transmittal box b is where the *kind of payer* is found.

If you	Then your “kind of payer” is:
File Form 941 - Employer’s Quarterly Federal Tax Return...	941
Are a U.S. State or local agency filing forms for employees subject only to the 1.45 percent Medicare tax (MQGE)...	Medicare govt. emp.
Are a military employer sending Forms W-2 for members of the uniformed services...	Military
File Form 943 - Employer’s Annual Tax Return for Agricultural employees and are sending Forms W-2 for Agricultural employees...	943
Are a railroad employer - employees are covered under Railroad Retirement Tax Act (RRTA)...	CT-1
Have household employees and did not include their taxes on Form 941 or Form 943...	Hshld. emp.
Are a third-party sick pay payer (or are reporting sick pay payments made by a third-party) filing Forms W-2 copy A with box 13 “Third-party sick pay” marked on the W-2...	Third-party sick pay This is the only “kind of payer” where you can have two boxes marked – i.e., 941 and Third-party sick pay - on the same W-3.



Note: You may only check one “kind of payer” box on the W-3 transmittal (except for third-party sick pay). You must group your W-2s Copy A by kind of payer. A separate W-3 is required for each group of W-2s Copy A.

Government Employers

Some Federal, State and local government agencies have situations where, within the same year, the employee wages are subject only to Medicare tax **AND** the employee wages are subject to both Social Security and Medicare taxes.

Two methods are available for reporting this information on the W-2 Copy A.

Option 1 Combined reporting method - File a single W-2 that reports the Medicare only wages and the Social Security and Medicare wages combined. The Form W-3 box b has the “941” kind of payer checked.

OR

Option 2 Split reporting method - File two separate W-2s and two W-3s. One W-3 and W-2 would indicate the Medicare only wages for the employee. The Form W-3 box b should have “Medicare govt. emp.” kind of payer checked.

AND

The second W-3 and W-2 would be for the same employee but would report the wages where both Social Security and Medicare were withheld. The Form W-3 box b should have “941” kind of payer checked.

Please Note - SSA prefers Option 1. It condenses the paperwork requirements and decreases the chances of reporting errors.

Common Pay Agent Reporting

Some employers have an IRS-approved agent file payroll reports (W-2/W-3) with SSA and Forms 941 to the IRS on their company's behalf. An employer that wants to use an agent prepares IRS Form 2678, Employer Appointment of Agent, and submits the form to the agent. The agent must submit the Form(s) 2678 to IRS along with a letter requesting agency status. To be recognized as an agent, you must have written approval from the IRS.

Approved agents may file payroll and tax liability reports on behalf of one or more companies. Generally, an agent that has an approved Form 2678 must enter his or her name as the employer in box c of Form W-2 and each Form W-2 should reflect the EIN of the agent in box b. In addition, the employer's EIN must be shown in box h of Form W-3.

If you are an agent, special reporting situations can occur when completing the Forms W-2 Copy A and the W-3 transmittal to SSA.

If you, the agent, file Forms W-2 on behalf of other employers in an agent capacity, please remember:

On Form	Use	You are to
941	Your EIN and your name and address on the form.	Report <u>all</u> wage, tax, and other information requested on the Form 941 on a consolidated basis for: <ol style="list-style-type: none"> 1. Your employees, AND 2. The employees of the employers you represent as an agent.
W-2	Your: <ol style="list-style-type: none"> 1. EIN in <u>box b</u> of the W-2 AND 2. Name and address in <u>box c</u> of the W-2. *see W-2 exception	File <u>one</u> consolidated W-2 for each employee. Even if an employee works for you and for one or more of the employers you represent as an agent, only one consolidated W-2 is filed for that employee. *see W-2 exception BUT , if the consolidated Social Security wages of that employee exceed the Social Security wage limit for that tax year, then more than one W-2 must be filed for that employee. See the next page for more details. *see W-2 exception

Form	If	Then
W-2 Exception	<p>If you, the agent, have an employee that works for more than one of the employers you represent including yourself, special reporting issues may occur.</p> <p style="text-align: center;">AND</p> <p>If that employee's consolidated Social Security wages exceed the limit for that tax year, then you MUST file separate Forms W-2 showing the wages paid by each employer to that employee.</p> <p>In the above case, the employee <u>must</u> receive two or more W-2s. The W-2 <u>box b</u> would still be in the agent's employer tax identification number but <u>box c</u> of the W-2 would show:</p> <ul style="list-style-type: none"> • The agent's name • "Agent for" (name of the employee's employer) • Agent's address 	<ol style="list-style-type: none"> 1. In the <u>W-2 box b</u> area - Use your agent's EIN. 2. In <u>W-2 box c</u> employer's name and address area, please note the following: <ol style="list-style-type: none"> a. First line – enter your name b. Second line – enter, "Agent for"(name of Employer) c. Third line and thereafter – enter your (the agent's) full address. <p>Note: If an employee worked for more than one employer during the year and had excess Social Security tax withheld, the employee should claim the excess withheld on the appropriate line of Form 1040 or Form 1040A. It is not the agent's responsibility to refund excess Social Security tax.</p>
W-3	<p>The agent should submit all employer Forms W-2 Copy A under one W-3 transmittal.</p> <p>The one W-3 transmittal would include the summary W-2 Copy A information of:</p> <ul style="list-style-type: none"> • Your employees AND • The employees of the employers you represent as an agent AND • Any W-2s Copy A issued as "Agent for" (name of employer). 	<p>Enter your agent:</p> <ol style="list-style-type: none"> 1. EIN in <u>box e</u> of the W-3 2. Name in <u>box f</u> of the W-3 3. Address in <u>box g</u> of the W-3 <p>In <u>box h</u> of the W-3, enter the EIN of the employer you/your client are representing. If you are representing more than one employer, leave <u>box h</u> blank.</p>

Note: Please refer to IRS Revenue Procedure 70-6, 1970-1 C.B. 420, for complete filing instructions for "agents." Also refer to IRS Publication 15-A, Employer's Supplemental Tax Guide.

Third-Party Sick Pay

The correct reporting of third-party sick pay is as important to your employees as it is to us. The pay timing, nature and amount of those sick payments determines what portion of these payments are included in both Social Security wages and Medicare wages on the W-2. You or your third-party sick pay provider will need to determine who reports the information to SSA.

The type of business relationship you have contracted with the third-party sick pay payer will determine how you report information on the employee's W-2s Copy A, the W-3 transmittal and how you complete and reconcile the quarterly 941s with the W-2s Copy A and W-3. This relationship will also determine who remits taxes withheld from the employee's pay and who pays the matching employer Federal Insurance Contributions Act (FICA) taxes.

What is Third-Party Sick Pay?

Third-party sick pay is an amount paid under a plan to your employees who are temporarily absent from work due to sickness, illness, injury or disability. It is usually paid by a third-party such as an insurance company. The sick pay discussed here is **NOT** the normal sick pay you pay your employees out of the payroll account for a missed day of work due to sickness.

Third-party sick pay does **NOT** include:

- ☐ Disability retirement;
- ☐ Workers' compensation;
- ☐ Medical expense payments; or
- ☐ Payments unrelated to absence from work.

What is Taxable to Social Security Wages and Medicare Wages for Third-Party Sick Pay, Who Reports it and Where is it Reported?

Determining what portion of the sick pay is taxable and who reports the wages and taxes depends on a number of factors. The following pages show the different parts (or steps) to help you determine your responsibility and the responsibility of your third-party sick pay payer.

Part I – What Part Of Third-Party Sick Pay Is Taxable?

A. TIMING - *What is the last day your employee worked before becoming entitled to sick pay?* The timing of when your employee stopped working is important in determining the taxable base.

****** Depending on when your employee received third-party sick pay, it could be taxable.******

The basic rule is that Social Security, Medicare taxes and Federal Unemployment Tax Act (FUTA) taxes do **not** apply to sick pay paid more than 6 calendar months **after** the last calendar month in which the employee worked. (Note: The 6-month rule does not apply to box 1, Wages, Tips, other compensation wages or box 2, Federal income tax withheld.)

TIMING CALCULATION

- | | |
|------------|---|
| Step 1 | What is the last day your employee worked before going out on sick leave? |
| Step 2 | Round that date to the end of the month. |
| Step 3 | Add 6 months to that date. |
| Step 4 (a) | Amounts received by your employee on or before the date calculated in Step 3 are subject to Social Security and Medicare wage inclusion and are subject to those taxes (and FUTA wages and taxes). These amounts are included in box 1, Wages, Tips, other compensation and are subject to box 2, Federal income tax withholding. |
| Step 4 (b) | Amounts received after the date calculated in Step 3 are NOT subject to Social Security and Medicare taxes (nor FUTA) but are wages included in box 1, Wages, Tips, other compensation and are subject to box 2, Federal income tax withholding. |

B. PERCENTAGES - *Who paid the premiums for the third-party sick pay - employee, employer or combination?* Determining the percentage of the premium paid by you, the employer, and/or the amount contributed by your employee determines the percentage to apply to the amount of sick pay.

****** The employer's percentage of the premium paid on the third-party sick pay plan is multiplied by the amount of sick pay to determine the taxable amount.******

Overall, the general rule is that if an employee pays for the sick pay plan, then the sick pay received in the time period noted in Step 4 (a) above is **NOT** Social Security and Medicare taxable nor included in the employee's Social Security and Medicare wages.

The taxable portion of the third-party sick pay for Social Security and Medicare wages and tax calculation would be the amount determined in step 4(a) of the Timing Calculation on the preceding page - multiplied by the employer's percentage rate as determined in the table below.

If	Then
The employee pays for all of the sick pay plan in after tax dollars (i.e., contributes to the plan, has money withheld from pay for the sick pay plan).	None of the third-party sick pay is included in Social Security and Medicare wages; nor is it taxable for Social Security, Medicare or FUTA. The employer did <u>not</u> contribute to the sick pay received and none of the third-party sick pay is taxable.
The employee pays for any part of the sick pay plan in before tax dollars (pretax basis) (i.e., contributes to the plan, has money withheld from pay for the sick pay plan).	This is considered 100 percent employer paid. All of the sick pay received within the timing limitation as shown in " <i>Part I, A. Timing</i> " <u>IS</u> included as Social Security and Medicare wages and is Social Security, Medicare and FUTA taxable.
Both the employer and employee (employee in after tax dollars) contribute to the sick pay plan.	Obtain the percentage of the policy cost that you contributed for each of the 3 years before the calendar year in which the sick payments were made. Use that percentage. <u>If the policy is not in effect for 3 years,</u> use your percentage of the cost of the premiums for the years the policy has been in effect. <u>If the policy is not in effect for a full year,</u> use a reasonable estimate of the percentage of your cost for the first policy year.

Part II – Who Pays The Taxes And Who Reports The Information?

After understanding what makes up the taxable portion of third-party sick pay, questions then arise about who withholds and deposits the taxes and who reports the third-party sick pay information. The answer depends on your contract and terms of agreement with the third-party sick pay provider.

TRANSFER OF LIABILITY - SPLIT RESPONSIBILITY Sometimes, the agreements with your third-party sick pay provider will determine who is responsible for withholding, depositing and reporting employee and employer Social Security and Medicare taxes.

If the third-party sick pay provider “transfers the liability,” then the responsibility for withholding, depositing and reporting Social Security and Medicare wage and tax data is split between your third-party sick pay provider and you, the employer.

If	Then
<p>Your third-party sick pay provider:</p> <p>→ makes the sick payments to your employees,</p> <p>AND</p> <p>→ withholds the employee portion of Social Security and Medicare taxes,</p> <p>AND</p> <p>→ deposits ONLY the employee portion of Social Security and Medicare taxes</p> <p>AND</p> <p>→ informs you timely of when the employee deposits were made so that you can pay the employer matching portion of employer Social Security taxes and Medicare taxes timely and without penalty.</p>	<p>The third-party sick pay provider has:</p> <p>“Transferred its liability” to the employer.</p> <p>This means that responsibilities are split between you and the third-party sick pay provider.</p> <p><u>The third-party sick pay provider</u> must withhold, deposit and report the EMPLOYEES Social Security and Medicare taxes (third-party sick pay provider may withhold incomes taxes if requested by employee),</p> <p>AND</p> <p><u>You must</u> deposit and report your matching Social Security and Medicare taxes</p> <p>AND</p> <p><u>You must</u> issue the W-2 to the individual employees for third-party sick pay.</p>

REPORTING REQUIREMENTS - LIABILITY IS TRANSFERRED

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2	<p>Third-party sick pay provider prepares a Third-Party Sick Pay Recap Form W-2.</p> <p>This is one W-2 that summarizes all the amounts paid to the employees of all clients as third-party sick pay. Individual W-2s are NOT issued by the third-party sick pay provider if <i>“liability was transferred.”</i></p> <p>On the one Third-Party Sick Pay Recap Form W-2:</p> <p>box b <u>Employer Identification Number</u> - use the third-party sick pay provider's EIN.</p> <p>box c <u>Employer's name, address and zip code</u> - use the third-party sick pay provider's name and address.</p> <p>box d <u>Employee's SSN</u> - leave blank.</p> <p>box e <u>Employee's name</u> - enter “Third-Party Sick Pay Recap”.</p> <p>box 1 <u>Wages, tips, other compensation</u> - enter the total of the sick pay paid to clients' employees.</p> <p>box 2 <u>Federal income tax withheld</u> - enter any Federal income tax withheld from third-party sick pay by the third-party sick pay provider.</p> <p>box 3 <u>Social Security wages</u> - enter the sick pay subject to employee Social Security tax.</p>	<p>As the employer, you are responsible for issuing the W-2 to the individual employees for third-party sick pay.</p> <p>You have the option of preparing one or two W-2s for the individuals that have sick pay. If issuing two W-2s: one is for regular wages and one W-2 is for sick pay. If issuing one W-2, combine the totals of the regular wages and sick pay and summarize onto one W-2.</p> <p>A Form W-2 <u>must</u> be prepared even if all the third-party sick pay is non-taxable.</p> <p>box b <u>Employer Identification Number</u> - use your EIN.</p> <p>box c <u>Employer's name, address and zip code</u> - use your name and address.</p> <p>box d <u>Employee's SSN</u> - enter the employee's SSN.</p> <p>box e <u>Employee's name</u> - enter the employee's name.</p> <p>box f <u>Employee's address</u> - enter the employee's address.</p> <p>box 1 <u>Wages, tips, other compensation</u> - enter any regular wages and the TAXABLE portion of any third-party sick pay payments as calculated in <i>“Part I, Timing and Percentage.”</i></p> <p>box 2 <u>Federal income tax withheld</u> - enter any Federal income tax withheld.</p> <p>box 3 <u>Social Security wages</u> - enter Social Security wages from regular pay and the</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2	<p>box 4 <u>Social Security tax withheld</u> - enter the Social Security tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>box 5 <u>Medicare Wages and tips</u> - enter the sick pay subject to employee Medicare tax.</p> <p>box 6 <u>Medicare tax withheld</u> - enter the Medicare tax withheld from employees' third-party sick pay by the third-party sick pay provider.</p> <p>The Third-Party Sick Pay Recap Form W-2 is used by IRS and SSA to reconcile wages from the 941 or 943 to annual wage reporting on the W-2s and W-3.</p> <p>As part of the W-2 process when the third-party has "transferred its liability," the third-party sick pay provider MUST provide the employer a <u>Sick Pay Statement</u>.</p> <p>This <u>Sick Pay Statement must:</u></p> <ol style="list-style-type: none"> 1. Be issued to the employer by the third-party sick pay provider by January 15 for sick pay paid in the calendar year just ended. 2. Include the following: <ol style="list-style-type: none"> a. employee's name; b. employee's SSN if Social Security, Medicare and/or income taxes were withheld; c. amount of sick pay paid to the employee; d. amount of income taxes withheld; e. amount of Social Security tax withheld; and f. amount of Medicare tax withheld. 	<p>TAXABLE amount of the third-party sick pay as calculated in "<i>Part I, What Part of Third-Party Sick Pay is Taxable?</i>"</p> <p>box 4 <u>Social Security tax withheld</u> - enter the Social Security tax withheld from the employee's regular pay and the Social Security withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>box 5 <u>Medicare Wages and tips</u> - enter the employee's regular Medicare wages from regular pay and the TAXABLE amount of the third-party sick pay as calculated in "<i>Part I, What Part of Third-Party Sick Pay is Taxable?</i>"</p> <p>box 6 <u>Medicare tax withheld</u> - enter the Medicare tax withheld from the employee's regular pay and the Medicare tax withheld from the employee's sick pay by the third-party sick pay provider.</p> <p>box 12 <u>Codes</u> - if applicable, use code J nontaxable sick pay. Show any sick pay not includable in income (and not shown in boxes 1, 3 and 5) because the employee contributed to the sick pay plan.</p> <p>Note: The amount in box 12 and the amount of third-party sick pay included in box 1 when combined should agree to the total third-party sick pay (taxable and nontaxable) your employee received. This reporting is required even if the entire amount of sick pay is nontaxable.</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
W-2		<p>box 13 <u>Checkboxes</u> - check the "Third-party sick" pay box only if the amounts were paid by a third party.</p> <p>box 14 <u>Other</u> - you may use this box for any other information that you wish to provide your employees. For instance, with third-party sick pay information, you could type in the third-party provider's name.</p>
W-3	<p>The third-party sick pay provider attaches the Third-Party Sick Pay Recap Form W-2 to a separate Third-Party Sick Pay Recap Form W-3.</p> <p>Prepare the separate Third-Party Sick Pay Recap Form W-3 as indicated below.</p> <p>Complete only boxes b, c, e, f, g, 1, 2, 3, 4, 5, 6 and 13 of the W-3 form.</p> <p>box b <u>Kind of payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>box c <u>Total number of Forms W-2</u> - only one W-2 should be attached, which is the Third-Party Sick Pay Recap Form W-2.</p> <p>box 13 <u>For third-party sick pay use only</u> - enter "Third-Party Sick Pay Recap" in this box.</p> <p>box 14 <u>Income tax withheld by payer of third-party sick pay</u> - Do NOT complete this box. The employer completes this box on his W-3.</p>	<p>You complete the W-3 summarizing the W-2 Copy A information.</p> <p>box b <u>Kind of payer</u> - check both the "Third-party sick pay" box and the "941" (or other applicable) box.</p> <p>box 13 <u>For third-party sick pay use only</u> - Do NOT complete this box.</p> <p>box 14 <u>Income tax withheld by payer of third-party sick pay</u> - you complete this box on the W-3 only if you have employees who had income tax withheld on third-party payments of sick pay. Show the total income tax withheld by third-party payers on payments to all your employees. While this tax is already included in box 2, it must also be reported in box 14.</p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
941	<p>Must file Form 941 because of the split reporting responsibilities, <u>line 9</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Third-party sick pay provider's responsibilities are to include the <u>employee</u> part of Social Security and Medicare taxes (and income tax if any withheld).</p> <p>Line 2 <u>Wages</u>- does NOT include any sick pay paid as third-party sick pay provider.</p> <p>Line 3 <u>Income tax withheld</u> - report the amount of income tax if any was withheld in the capacity of third-party sick pay provider.</p> <p>Line 6a <u>Taxable Social Security wages</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes both:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees, and 2. amounts paid as third-party sick pay. <p>Line 7a <u>Taxable Medicare wages and tips</u> - third-party sick pay provider enters amount subject to Social Security taxes which includes both:</p> <ol style="list-style-type: none"> 1. wages paid to its own employees, and 2. amounts paid as third-party sick pay. 	<p>Must file Form 941 because of the split reporting responsibilities, <u>line 9</u> must contain a special adjusting entry for Social Security and Medicare taxes.</p> <p>Line 2 <u>Wages</u> - include wages of third-party sick pay. (See IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting for what is included in Federal wages.)</p> <p>Lines 3, 4 and 5 <u>Income tax withheld and adjustments</u> - employer does NOT complete these lines for third-party sick pay.</p> <p>Line 6a <u>Taxable Social Security wages</u> - include wages of third-party sick pay.</p> <p>Line 7a <u>Taxable Medicare wages and tips</u> - include wages of third-party sick pay.</p> <p>Line 8 <u>Total Social Security and Medicare taxes</u> - add together amounts from lines 6b, 6d and 7b as instructed.</p> <p>Line 9 <u>Adjustment of Social Security and Medicare taxes SICK Pay box</u> - SUBTRACT the <u>employee</u> Social Security and Medicare taxes withheld and deposited by the third-party provider. <i>**Remember, you are responsible for the "employer's" share of matching Social Security and Medicare taxes.**</i></p>

FORM	THIRD-PARTY SICK PAY PROVIDER RESPONSIBILITIES Liability IS transferred ←	THE EMPLOYER'S RESPONSIBILITIES → Liability IS transferred
941	Line 8 <u>Total Social Security and Medicare taxes</u> - add together amounts from lines 6b, 6d and 7b as stated in the 941 instructions. Line 9 <u>Adjustment of Social Security and Medicare taxes SICK Pay box</u> - third-party sick pay provider subtracts out the employer's share of Social Security and Medicare taxes.	
940	If liability is transferred to the employer, then third-party sick pay provider has no responsibilities for third-party sick pay on Form 940.	The employer prepares Form 940 for sick pay.

Transfer of Liability – Optional Rule for Form W-2

If transfer of liability has occurred, you and the third-party sick pay provider may choose, through a legally binding contract, to agree to the third-party sick pay provider becoming your agent for purposes of preparing W-2s reporting sick pay.

- ☐ If this is agreed upon in writing, the third-party prepares the actual Forms W-2 for each employee and does not need to provide the sick pay statement to you

AND

- ☐ You (the employer) would prepare the **Third-Party Sick Pay Recap** forms for the W-2 and the W-3.

Please see the 2004 Instructions for Forms W-2 and W-3 as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

LIABILITY IS NOT TRANSFERRED - THIRD-PARTY PROVIDER IS RESPONSIBLE

If the third-party sick pay provider does **NOT** “transfer the liability”, the withholding, depositing and reporting of Social Security and Medicare wage and tax data on the sick pay (both the employee withholding and your matching portion) are the responsibility of the third-party.

If	Then
<p>Your third-party sick pay provider:</p> <p>Does not meet the requirements for “<i>transferring liability</i>” as explained earlier...</p>	<p>The third-party sick pay provider has:</p> <p>→ the responsibility of withholding and depositing Social Security taxes, Medicare taxes and Federal income taxes on the third-party sick pay of your employees;</p> <p>AND</p> <p>→ the responsibility of depositing your matching Social Security taxes, Medicare taxes and your FUTA tax based on the third-party sick pay of your employees;</p> <p>AND</p> <p>→ the responsibility of completing the W-2s for each of your employees for the third-party sick pay amounts using his third-party sick pay payer name, address and EIN.</p> <p>NOTE: When the third-party sick pay provider does <u>NOT</u> “transfer liability”:</p> <ul style="list-style-type: none"> • on the W-2, the third-party provider would check <u>box 13</u>, “Third-party sick pay.” • on the W-3, the third-party provider would check in <u>box b</u> the “Third-party sick pay” box. If more than one checkbox applies (i.e., this and the 941 checkbox) file a <u>single</u> Form W-3 that contains the summarized W-2 information from both the regular and “Third-party sick pay” W-2s. <p>AND</p> <p>→ the responsibility for reporting the sick pay on its own Form 941 and annual Form 940.</p>

Please see the 2004 Instructions for Forms W-2 and W-3 as well as IRS Publication 15-A, Employer's Supplemental Tax Guide, Chapter 6, Sick Pay Reporting, for specific reporting instructions.

Chapter 3: Standards, Specifications and Edits

Introduction

This Chapter provides standards, specifications and edits for preparing paper Forms W-3 and W-2 (Copy A) for SSA. These criteria are intended for two audiences - (1) employer human resource/payroll departments and (2) payroll tax software developers.

The guidelines include what data to compile, describe what these data should represent and specify certain characteristics that may identify suspect or incorrect data. Also included are which data to print in each Form W-2/W-3 box, data entry content requirements, data entry formats and edits that may identify suspect or incorrect entries.

The standards, specifications and edits that follow indicate that a box is either required or optional. If the data elements are required to be submitted to SSA for either (1) use by SSA for programmatic purposes and/or (2) accumulation and transmission to IRS for tax processing and enforcement purposes, the box on Forms W-3 and Copy A of Forms W-2 is identified as required. If the data elements are not required to be submitted to SSA, the box is identified as optional. However, these data elements may still be required on copies of Forms W-2 submitted to employees or State and local entities.

Form W-2 Copy A

Purpose

Form W-2 Copy A, tells SSA that an individual associated with the given SSN had earnings and may be eligible for future benefits and payments. SSA posts the earnings information to retirement accounts of the workers. The entries on Form W-2 are based on earnings for the calendar year from January 1 to December 31.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ► OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

General Instructions on W-2 Preparation

1. Use either IRS official Forms W-2 or privately-printed substitute Forms W-2. If you file a paper Form W-2 Copy A with SSA, then a Form W-3 must also be completed and accompany the Forms W-2 Copy A filed with SSA.
2. Only originals of Form W-2 Copy A may be filed with SSA. Carbon copies and photocopies are not accepted by SSA.
3. SSA accepts only Forms W-2 printed on 8 ½ inch by 11 inch paper (exclusive of any snap stubs.)

4. All privately-printed substitute Forms W-2 must adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3. Substitute territorial Forms W-2 (W-2GU, W-2VI, W-2AS, & W-2CM) must also adhere to the specifications included in IRS Publication 1141.
5. Forms may be laser printed in black and white and both the data and forms must be printed in nonreflective black ink only. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141. The forms must **not**:
 - ☐ contain corner register marks and
 - ☐ contain shaded areas including boxes that are entirely shaded on the Red-ink forms.
6. All printing of substitute Forms W-2 Copy A, other than laser, must be in Flint J-6983 red Optical Character Recognition (OCR) dropout ink or an exact match, except for the following areas, which are to be printed in nonreflective black ink:
 - ☐ the form identifying numbers “22222” at the top,
 - ☐ tax year at the bottom of the form using 24 point OCR-A font and
 - ☐ the four corner register marks.
7. Prior approval from SSA or IRS is not required on privately printed red-ink substitute forms. Again, these forms must conform exactly to the requirements as stated in Publication 1141.
8. If you are uncertain about any of the specifications or criteria for the physical Forms W-2 and W-3, please send your questions to:

SSA for Black and White

Laser printed Forms

W-2 Copy A and W-3

Social Security Administration

Data Operations Center

Attn: Laser Forms Approval, Room 359

1150 E. Mountain Drive

Wilkes-Barre, PA 18702-7997

IRS for Red-ink FormsW-2 Copy A and W-3

Internal Revenue Service

Attn: Substitute Forms Coordinator

W:CAR:MP:T:T:SP, Room 6411

1111 Constitution Ave, N.W.

Washington, DC 20224

9. Paper for privately-printed red-ink substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. Pinfed strips must be removed when Forms W-2 Copy A are filed with SSA. See IRS Publication 1141.
10. Software used to produce the Forms W-2 should automatically enter required information, such as employer and employee names, addresses, SSNs or EINs, etc.
11. Only alphabetic or numeric information should be entered. Invalid SSNs or EINs should be screened out.

12. Employee tax withholding amounts should be consistent with the taxable wages and rates for Social Security and Medicare.
13. Do not print, write or enter any data in the margins of the form(s).
14. The font used to print data on Forms W-2 should be 12-point courier, using black ink.
15. Do **not** use script, inverted fonts, italics and/or dual case fonts when entering data on the forms.
16. Do **not** use inks that contain red pigment on forms that contain employer provided information.
17. Do **not** erase, whiteout or strike over an entry.
18. Data entries on the Forms W-2 should be machine printed, whenever possible.
19. The data entered must be presented in clear, dark images to guarantee optically scannable forms and all copies must be legible.
20. Insert data within the box. Do not go outside of boxed area when entering data.
21. Make all dollar entries **without** the dollar sign and **without** the comma but **use** the decimal point and show the cents portion of money amounts.
22. If a box does **not** apply, leave it blank.
23. The back of substitute Forms W-2 (Copy A) must be blank and free of all printing.

Form W-2 Copy A

box a Control number - **Optional** - SSA prefers this number not print out on W-2 Copy A. Some employers use this box to identify individual Forms W-2. If you use this box, please keep data within boxed area.

Void **Required if applicable** - This box must either be blank or contain an "X". Place an "X" in this box when an error is made on Form W-2 and voided because a new Form W-2 has been completed. DO NOT count "Void" W-2 forms or include any amounts shown on the "Void" forms in the totals entered on Form W-3.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number			1 Wages, tips, other compensation		2 Federal income tax withheld
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld
			5 Medicare wages and tips		6 Medicare tax withheld
			7 Social security tips		8 Allocated tips
d Employee's social security number			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial		Last name	11 Nonqualified plans		12a See instructions for box 12
			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b
			14 Other		12c
					12d
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form W-2 Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box b Employer identification number - **Required** - Enter the 9 digit number assigned by the IRS 00-0000000.

- Must be 10 positions.
- Hyphen only in position 3.
- All numerics except hyphen in position 3.
- Use the same EIN used in preparing Federal employment tax returns e.g. 940, 941 or 943.
- If you do not have an EIN when filing Forms W-2, enter "applied for" in box b. You must have completed Form SS-4, Application for an EIN.
- See Chapter 2: Special Considerations to see whether your Agent's number or third-party sick pay provider EIN is used in this box.
- See Chapter 4: "Common Errors - Dos and Don'ts" for numbers that cannot be used.

box c Employer's name, address and ZIP code - **Required** -

- Show your full name, address and ZIP code. This should be the same name and address as shown on Forms 941, 943 or CT-1.
- If an agent prepared the Form W-2, then use the agent's name, address and ZIP code.
- See Chapter 2: Special Considerations, Agent Reporting for special reporting situations where even in an agent capacity the agent's full name and address would not be used.
- See Chapter 2: Special Considerations, Third-Party Sick Pay - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
- Free-form.

Form W-2 Copy A

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employees <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
						18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form W-2 Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

box d Employee's Social Security number - Required -

- Enter the employee's SSN as shown on the employee's Social Security card.
- Please review for accuracy.
- Must be 11 positions 000-00-0000.
- Hyphen only in positions 4 and 7.
- Numeric in all positions except 4 and 7.
- If the employee has applied for a Social Security card but has not yet received an SSN, enter "applied for" in box d. The employee must contact an SSA office and complete Form SS-5, Application for a Social Security card. Note: The employee should notify you when their Social Security card is obtained so that you may file a W-2c with the correct name and SSN.
- An IRS issued Individual Taxpayer Identification Number (ITIN) is **NOT** an SSN. It should not be used here in place of an SSN.
- Do not complete box d if you are a third-party sick pay provider where "liability is transferred." See Chapter 2: Special Considerations, Third-Party Sick Pay for more information.
- See Chapter 4: "Common Errors - Dos and Don'ts" for numbers that cannot be used.

box e Employee's first name and initial/last name - Required -

- Enter the name as shown on the employee's Social Security card.
- Please review for accuracy.
- Format as first name, middle initial, in first half of box e and last name in the second half of box e.
- If the name does not fit, you may show first name initial, middle initial and last name, ignoring the vertical line.
- Exclude titles in prefixes or suffixes.
- Compound surnames may be connected with a hyphen or a blank space.
- If the name has changed, the employee must get a corrected card from an SSA office. Use the name as shown on the employee's original Social Security card until the corrected card is received.
- If a third-party sick pay provider where liability is transferred, enter "Third-Party Sick Pay Recap." See Chapter 2: Special Considerations, Third-Party Sick Pay for more information.
- See Chapter 4: "Common Errors - Dos and Don'ts" for examples of how to and how not to report names.

box f Employee's address and ZIP code - Required -

- Enter the employee's full address and ZIP code.
- For foreign address, give the information in the following order: city, province or state, country and country postal code. Do not abbreviate or truncate the country's name.

Form W-2 Copy A

a Control number 2222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation	
c Employer's name, address, and ZIP code				2 Federal income tax withheld	
d Employee's social security number				3 Social security wages	
e Employee's first name and initial				4 Social security tax withheld	
Last name				5 Medicare wages and tips	
f Employee's address and ZIP code				6 Medicare tax withheld	
15 State Employer's state ID number				7 Social security tips	
16 State wages, tips, etc.				8 Allocated tips	
17 State income tax				9 Advance EIC payment	
18 Local wages, tips, etc.				10 Dependent care benefits	
19 Local income tax				11 Nonqualified plans	
20 Locality name				12a See instructions for box 12	
				12b	
				12c	
				12d	

Form **W-2** Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

OMB No. 1545-0008

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 1 Wages, tips, other compensation -

Required -

Formatting amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in a box is zero, leave the box blank.

Show the total wages, tips, other compensation you paid your employee during the year. Calculate (excluding elective deferrals) (except section 501(c)(18) contributions), before any payroll deductions, the following:

1. Total wages and bonuses paid during the year.
2. All tips reported except allocated tips.
3. All non-cash payments (including fringe benefits).
4. All distributions from nonqualified deferred compensation plans and nongovernmental section 457 (b) plan.
5. Amounts includable in income under section 457(f) because the amounts are no longer subject to a substantial risk of forfeiture.
6. Cost of group-term life insurance paid to employees in excess of \$50,000.
7. Reimbursements for employee expenses (accountable plan) exceeding amounts treated as substantiated.
8. Payments for employee expenses under a nonaccountable plan.
9. Cost of current insurance protection under a compensatory split-dollar life insurance arrangement.

box 1 Wages, tips, other compensation - (cont.)

10. Employer contributions to Archer Medical Savings Account (MSA) or Health Savings Account (HSA) - may be includable in the income of the employee (special rules apply).
11. Employee contributions to Archer MSA or HSA account.
12. Certain payments for non-job related education expenses under a nonaccountable plan unless excludable under an educational assistance program.
13. Cost of accident and health insurance premiums/benefits is included in the wages of S Corporation employee(s) who own more than 2 percent of the S Corporation (2 percent Shareholder).
14. Employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
15. Dependent care benefit amounts incurred on behalf of employees in excess of the \$5,000 exclusion.
16. All other compensation:
 - a) Nonqualified moving expenses.
 - b) Certain scholarships or fellowship grants.
 - c) Employee taxes paid by employer. (See exceptions for household and agricultural employers)
 - d) Prizes and awards.
17. Golden Parachute payments.
18. Sick pay - See Chapter 2: Special Considerations, Third-Party Sick Pay to determine taxability.
19. Taxable benefits from a section 125 cafeteria plan where employee chooses cash.
20. Compensation includes payment to statutory employees, which are subject to Social Security and Medicare taxes but not Federal withholding income taxes.

Form W-2 Copy A

box 2 Federal Income Tax Withheld - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
 - Amounts only numerics with a decimal point.
 - No dollar signs "\$" and no commas ",".
 - Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
 - Cannot be a negative amount.
 - Do not erase, whiteout, or strike over an entry
 - If amount in a box is zero, leave the box blank.
1. Show the total Federal income tax withheld from the employee's pay for the year.
 2. Do not reduce the tax by any advance EIC payments made to the employee.
 3. Include the 20 percent excise tax withheld on excess golden parachute payments.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code				15 State		Employer's state ID number	
16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax	
						20 Locality name	

Form W-2 Wage and Tax Statement **2004**

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 3 Social Security Wages - Required, based on type of employment -

1. See box 2 above for dollar amount formatting.
2. For employment where wages are subject to the 6.2 percent Social Security tax.
3. The total of box 3 and box 7 cannot exceed the maximum Social Security taxable wage base amount of \$87,900 for year 2004. Enter the lesser of the gross taxable Social Security wage as calculated in 4 below or the maximum wage base of \$87,900 (less any amount in box 7).
4. Calculate the total Social Security wages paid (before payroll deductions).
 - a) This amount generally should represent all wages and other compensation included in box 1.
 - b) Deduct Social Security tips (box 7) included in box 1 and do not include any allocated tips (box 8).
 - c) Include elective deferrals to:
 - i) Certain qualified cash or deferred compensation arrangements not included in box 1.
 - ii) Retirement arrangements reported in box 12 (codes D, E, F, G, and S) that are not included in box 1.
 - iii) SEP contributions paid under a salary reduction agreement (SARSEP).
 - iv) Include both elective and non-elective deferrals for section 457 (b) plans if not already included.
 - v) Include SIMPLE (Savings incentive match plan for employees) retirement accounts where employees, through salary reduction, contributed to a SIMPLE retirement account.
 - d) Include adoption amounts paid or expenses incurred by employer for qualified adoption expenses that are not reported in box 1.
 - e) Certain scholarships/fellowships which may or may not have been included in box 1.
 - f) Deduct the amount included in box 1 for employer contribution for qualified long-term care services to the extent that such coverage is provided through a flexible spending or similar arrangement.
 - g) Third-party sick pay - amount to be included in Social Security wages generally differs from the amount included in box 1. See Chapter 2: Special Considerations to calculate.
5. Do not include entry when type of employment is MQGE or RRTA.
6. If box 3 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry preceded by an alpha code of "M."
7. If box 3 contains an entry, then box 5 must contain an entry.

Form W-2 Copy A

box 4 Social Security tax withheld - Required, based on type of employment -

1. See box 5 below for dollar amount formatting.
2. For employment where wages are subject to the 6.2 percent Social Security tax.
3. Calculate the total employee Social Security tax (not the employer share) withheld for the employee up to a maximum of \$5,449.80 ($87,900 \times .062$). This includes Social Security tax withheld on tips.
4. The amount withheld should agree to the sum of boxes 3 and 7 multiplied by the Social Security tax rate of .062 but not to exceed \$5,449.80.
5. Do not include entry when type of employment is MQGE or RRTA.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation	2 Federal income tax withheld		
c Employer's name, address, and ZIP code				3 Social security wages	4 Social security tax withheld		
d Employee's social security number				5 Medicare wages and tips	6 Medicare tax withheld		
e Employee's first name and initial				7 Social security tips	8 Allocated tips		
Last name				9 Advance EIC payment	10 Dependent care benefits		
f Employee's address and ZIP code				11 Nonqualified plans	12a See instructions for box 12		
15 State Employer's state ID number				13a Statutory employee	12b		
16 State wages, tips, etc.				Retirement plan	12c		
17 State income tax				Third-party sick pay	12d		
18 Local wages, tips, etc.				14 Other			
19 Local income tax				20 Locality name			

Form **W-2** Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 1013-D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 5 Medicare wages and tips - Required, based on type of employment -

Formatting Amounts

- Must be dollars and cents.
 - Amounts only numerics with a decimal point.
 - No dollar signs "\$" and no commas ",".
 - Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
 - Cannot be a negative amount.
 - Do not erase, whiteout or strike over an entry.
 - If amount in a box is zero, leave the box blank.
1. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
 2. Generally, the wages and tips subject to Medicare tax are the same as those wages subject to Social Security tax (boxes 3 and 7) except that there is not a wage base limit for Medicare tax (some differences may occur for certain public sector employers).
 3. See box 3 for what comprises gross Social Security taxable wages, which is the total of box 3 and box 7 before applying the wage base limit.
 4. Enter tips the employee reported even if you did not have enough employee funds to collect Medicare tax on those tips.
 5. Include wages of MQGE employees as they are subject to Medicare tax of 1.45 percent.
 6. Must be blank if type of employment is RRTA.
 7. If box 5 contains an entry, then box 6 must contain an entry and/or box 12 must contain an entry preceded by an alpha "B" or "N."
 8. This entry must equal or exceed the combined entries of boxes 3 and 7.

box 6 Medicare tax withheld - Required, based on type of employment -

1. See box 5 for dollar amount formatting.
2. For employment where wages and tips are subject to the 1.45 percent Medicare tax.
3. There is no limit on the amount of Medicare wages and tips that are subject to Medicare tax.
4. Amount cannot exceed 1.45 percent of the money amount entered in box 5.
5. Cannot contain an entry when the type of employment code is RRTA.

box 7 Social Security tips - Required, based on type of employment -

1. See box 5 for dollar amount formatting.
2. Total of boxes 3 and 7 cannot exceed the 2004 Social Security taxable wage limit of \$87,900.
3. Report in box 7 the amount of Social Security taxable tips your employee received (do not include allocated tips).
4. Does not contain an entry when the type of employment is MQGE or RRTA.
5. Include tips the employee reported (except allocated tips), even if you did not have enough employee funds to collect the Social Security tax for those tips.
6. If box 7 contains an entry, then box 4 must contain an entry and/or box 12 must contain an entry with alpha code "A" and box 5 must have an entry.

Form W-2 Copy A

box 9 Advance EIC payment - Required, if applicable -

1. See box 10 below for dollar amount formatting.
2. Advance EIC payments are eligible to only those employees who meet the requirements as shown on IRS Form W-5. This form must be completed by the employee and submitted to the employer on a yearly basis.
3. Report the total amount you paid your employees during the year as advance EIC payment.
4. Amount cannot exceed **\$1,563.00**, the maximum advance payment allowed by employers to employees for year **2004**.
5. If your employees are entitled to any EIC in excess of the \$1,563 advance limit, they must file their personal tax return and claim EIC to receive any remaining amounts.
6. EIC amounts are not included as wages for W-2 reporting purposes and are not included in boxes 1, 3 and 5.
7. EIC does not decrease Social Security tax (box 4), Medicare tax (box 6) or Federal income tax (box 2).

box 8 Allocated Tips - Required, if applicable -

1. See box 10 below for dollar amount formatting.
2. Do not include this amount in boxes 1, 3, 5 or 7.
3. This box is used by large food and beverage establishments to allocate tips to employees and should reconcile with amounts reported by employer on IRS Form 8027.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other <input type="checkbox"/>		12c	
						12d	
f Employee's address and ZIP code							
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
						18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 10 Dependent Care Benefits - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
 - Amounts only numerics with a decimal point.
 - No dollar signs "\$" and no commas ",".
 - Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
 - Cannot be a negative amount.
 - Do not erase, whiteout or strike over an entry.
 - If amount in a box is zero, leave the box blank.
1. Show total dependent care benefits under a dependent care assistance program section 129 paid or incurred by you for your employee.
 2. Include amounts paid or incurred for section 125 – cafeteria plan.
 3. Report all amounts **paid** including those in excess of the \$5,000 exclusion.
 4. These could include:
 - a) Benefits from pre-tax contributions made by employee to a section 125 dependent care flexible spending account.
 - b) Amount paid directly to a day-care facility by the employer or reimbursed to the employee to subsidize the benefit.
 - c) Fair market value of benefits provided by employer.

Form W-2 Copy A

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				12b		12c	
				12d			
f Employee's address and ZIP code				13 Statutory employee <input type="checkbox"/>		14 Other <input type="checkbox"/>	
				Retirement plan <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/>	
				15 State		16 State wages, tips, etc.	
				17 State income tax		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form W-2 Wage and Tax Statement

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 11 Nonqualified plans - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in a box is zero, leave the box blank.

1. Make only one entry in this box.
2. Box 11 is used by SSA to determine if any part of the amounts reported in boxes 1, 3 or 5 was earned in a prior year, which could affect the calculation of the Social Security earnings test and calculation and payment of benefits.
3. Show distribution to an employee from a nonqualified plan or a nongovernmental section 457 (b) plan in this box that is also included in box 1.
4. For amounts no longer subject to a substantial risk of forfeiture, show deferrals with earnings for a nonqualified plan or a section 457 plan that is taxable this year for Social Security (box 3) and Medicare (box 5) but represent services from a prior year.
5. Do not report in box 11 deferrals that are for current year services and are reported in boxes 3 and 5.
6. Do not complete box 11 if you made distributions AND are also reporting prior year deferrals in box 3 and/or box 5.
7. Distributions and retirement payments for the following must be reported on Form 1099-R and **not** on Form W-2:
 - a) Distributions from governmental section 457(b) plans.
 - b) Military retirement payments from military employers.
 - c) Distributions of nonqualified or section 457 plans to beneficiaries of deceased employees.

For further information, see Publication 957, "Reporting Back Pay and Special Wage Payments to the Social Security Administration" and Form SSA-131, "Employer Report of Special Wage Payments."

Form W-2 Copy A

a Control number 22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans	
f Employee's address and ZIP code		13 Statutory employee <input type="checkbox"/>		12a See instructions for box 12	
		Retirement plan <input type="checkbox"/>		12b	
		Third-party sick pay <input type="checkbox"/>		12c	
14 Other		12d			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
				20 Locality name	

Form **W-2** Wage and Tax Statement **2004** Department of the Treasury—Internal Revenue Service

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 12 Codes / Deferred Compensation - Required, if applicable -

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in a box is zero, leave the box blank.

1. Box 12 of Form W-2 Copy A contains four entry boxes – 12a, 12b, 12c and 12d.
 - a) Do not make more than one entry per box.
 - b) Enter your first code and amount in box 12a, your second code and amount in box 12b, etc.
 - c) If more than 4 entries are required, then another W-2 Copy A must be printed for the remaining items for box 12 and again up to only 4 entries.
 - d) Each additional W-2 printed must have boxes b, c, d, e and f completed, as well as, the remaining entries for box 12.
2. Use only the allowable designated IRS codes for the left sided portion of box 12 which must be upper case alpha and either "A" through "H", "J" through "N", "P", "R" through "T", "V" and/or "W."
 - a) Enter capital alpha code to the left of the vertical line and money amount to the right of the vertical line in boxes 12a-d.
 - b) Leave at least one space blank after the capitalized alpha code and before entering the amount.
 - c) Do not report any items in box 12 that are not listed as codes.
 - d) Use box 14 for any items you want reported to your employees that are not reported in box 12.
3. Allowable Codes:
 - "A" Uncollected Social Security or RRTA tax on tips - amounts not included in box 4.
 - "B" Uncollected Medicare tax on tips - amounts not included in box 6.
 - "C" Taxable cost of group-term life insurance over \$50,000 provided to your employee - amounts included in boxes 1, 3 (up to Social Security wage base) and 5.
 - "D" Elective deferrals to a section 401(k) cash or deferred arrangement including SIMPLE 401(k) retirement account.
 - "E" Elective deferrals under a section 403(b) salary reduction agreement.
 - "F" Elective deferrals under a section 408(k)(6) salary reduction Simplified Employee Pension (SEP).
 - "G" Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) governmental and nongovernmental deferred compensation plan for employees.
 - "H" Elective deferrals to a section 501(c)(18) (D) tax-exempt organization plan, which is also included in box 1.

Form W-2 Copy A

box 12 Codes / Deferred Compensation - (cont.)

Formatting Amounts

- Must be dollars and cents.
- Amounts only numerics with a decimal point.
- No dollar signs "\$" and no commas ",".
- Decimal point must be shown even when the entry is even dollars (Example: 1000.00).
- Cannot be a negative amount.
- Do not erase, whiteout or strike over an entry.
- If amount in a box is zero, leave the box blank.

Codes (cont.)

"J" Nontaxable sick pay – The portion of sick pay paid from a third-party insurer that is not included in income and not shown in boxes 1, 3 and 5. Even if 100 percent of sick payments are nontaxable, the nontaxable portion is shown in this box.

"K" Report the 20 percent excise tax on the excess golden parachute payments made to certain key corporate employees.

"L" Substantiated employee business expense reimbursements where the amount you reimbursed your employees for per diem or mileage allowance rates exceeds the amount treated as substantiated. Report only the substantiated (the nontaxable portion) part in box 12. Boxes 1, 3 and 5 should only report the amounts that exceed the substantiated portion.

"M" Uncollected Social Security or RRTA tax on cost of group-term life insurance over \$50,000 for former employees.

"N" Uncollected Medicare tax on cost of group-term life insurance over \$50,000 for former employees.

"P" Excludable but qualified moving expense reimbursements paid directly to employee.

"R" Employer contributions to an Archer MSA.

"S" Employee salary reduction contributions under a section 408(p) SIMPLE.

"T" Adoption benefits – show the total you paid or reimbursed for qualified adoption expenses given to your employee under an adoption assistance program, including those amounts in excess of the \$10,390 exclusion.

"V" Income from the exercise of nonstatutory stock options - show spread of fair market value over exercise price of options. This amount is included in boxes 1, 3 (up to Social Security wage base) and 5.

"W" Employer Contributions to a Health Savings Account.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b <input type="checkbox"/>	
				14 Other <input type="checkbox"/>		12c <input type="checkbox"/>	
						12d <input type="checkbox"/>	
f Employee's address and ZIP code				15 State Employer's state ID number		16 State wages, tips, etc.	
				17 State income tax		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form W-2 Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

Form W-2 Copy A

box 13 Checkboxes - Required, if applicable -

1. Must contain an "X" in the box(es) that apply.
2. Mark all checkboxes that apply.
3. Statutory employee -
 - a) Employee has earnings that are subject to Social Security and Medicare tax withholding but is not subject to Federal income tax withholding.
 - b) See IRS Publication 15-A, Section 1, for more information on statutory employees.
4. Retirement plan -
 - a) Employee was an "active participant" during any part of the year in a qualified retirement plan.
 - b) Do not mark this checkbox for contributions made to a nonqualified or section 457 plan.
 - c) See IRS Publication 590 for additional information on the active participant rules.
5. Third-party sick pay -
 - a) Mark this checkbox only if you are a payer of third-party sick pay filing a Form W-2 for an insured employee **OR** if you are an employer reporting sick pay payments made to a third party.
 - b) See Chapter 2: Special Consideration for additional information and resources on this subject matter.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number				1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips		6 Medicare tax withheld	
				7 Social security tips		8 Allocated tips	
d Employee's social security number				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee		12b	
				Retirement plan		12c	
				Third-party sick pay		12d	
				14 Other			
f Employee's address and ZIP code							
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
						18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2** Wage and Tax Statement

2004

Department of the Treasury—Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page

box 14 Other - Required, if applicable -

1. The lease value of a vehicle provided to your employee and shown in box 1 must be reported here unless you submit a separate statement to your employee.
2. The employer may also use this box to provide any additional information to his or her employees.
3. A descriptive label must accompany each amount listed.
4. Examples of items for this box are:
 - a) State disability insurance taxes withheld;
 - b) Union dues, uniform payments;
 - c) Health insurance premiums deducted;
 - d) Educational assistance payments;
 - e) Nontaxable income;
 - f) Member of the clergy's parsonage allowance and utilities; and
 - g) Certain contributions to a pension plan not shown in box 12.

boxes 15 through 20 State or local income tax information - Optional -

1. Not required by SSA.
2. Follow instructions issued by State and local tax authorities.
3. Enter the two letter abbreviation for the name of the State.
4. Use your state identification number as assigned by the individual State.
5. Room is provided to report two separate States and localities. If more room is required continue on a new W-2.
6. Do not combine State and local tax information, report separate as the boxes indicate.

Form W-3

Purpose

Form W-3 is filed **ONLY** if paper W-2s are filed. Form W-3 has two purposes:

1. It is a summary sheet and contains the summarized totals of all the W-2 Copy A information.
2. It serves as a transmittal sheet in sending the W-2 Copy A information to SSA.

DO NOT STAPLE OR FOLD					
a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> Third-party sick pay	3 Social security wages
c Total number of Forms W-2		d Establishment number		4 Social security tax withheld	5 Medicare wages and tips
e Employer identification number				6 Medicare tax withheld	7 Social security tips
f Employer's name				8 Allocated tips	9 Advance EIC payments
				10 Dependent care benefits	11 Nonqualified plans
				12 Deferred compensation	13 For third-party sick pay use only
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number ()	For Official Use Only
Email address				Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form **W-3 Transmittal of Wage and Tax Statements** **2004**
 Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
 Photocopies are not acceptable.
 Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Department of the Treasury
Internal Revenue Service

General Instructions on W-3 Preparation

1. Generally, the same instructions for preparation of Form W-2 also apply to the preparation of Form W-3.
2. Form W-3 is a single sheet including essential filing information. Be sure to make a copy of your completed Form W-3 for your records prior to mailing.
3. Use either the IRS official Form W-3 or a privately-printed substitute Form W-3.
4. SSA accepts only Forms W-3 printed on 8 ½ inch by 11 inch paper (exclusive of any snap stubs).
5. Software must not permit generating W-3 entries before all corresponding W-2 entries are prepared.

6. The W-3 report which corresponds to Forms W-2 Copy A must reflect the aggregate W-2 money amounts, excluding information from any W-2 Copy A marked “Void”.
7. Make sure the same tax year is shown on both Forms W-3 and W-2 Copy A.
8. Use W-3 control totals to match and reconcile the annual sum of quarterly line item amounts reported on IRS Form 941 or 943. The data on Form W-3 should balance with Forms W-2 and the total of the quarterly 941s.
9. Ensure that a Form W-3 accompanies each “Kind of Payer” group of W-2s submitted.
10. All privately-printed substitute Forms W-3 must adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
11. Forms may be laser printed in black and white and both the data and forms must be printed in nonreflective black ink only. These forms must comply with IRS Publication 1141. They require approval from SSA as detailed in Publication 1141. The forms must **not**:
 - ☐ contain corner register marks and
 - ☐ contain shaded areas including boxes that are entirely shaded on the red-ink forms.
12. All printing of substitute Forms W-3, other than laser, must be in Flint J-6983 red OCR dropout ink or an exact match, except for the following areas, which are to be printed in nonreflective black ink:
 - ☐ the form identifying the numbers “33333” at the top;
 - ☐ the tax year at the bottom of the form using 24 point OCR-A font;
 - ☐ the four corner register marks;
 - ☐ the jurat and “Signature, Title, Date” line at the bottom;
 - ☐ The form identification “W-3” at the bottom; and
 - ☐ All the instructions below Form W-3.
13. Prior approval from SSA or IRS is not required on privately printed Red-ink substitute forms. Again, these forms must conform exactly to the requirements as stated in Publication 1141.
14. If you are uncertain about any of the specifications or criteria for the physical Forms W-2 and W-3, please send your questions to:

SSA for Black and White
Laser printed Forms
W-2 copy A and W-3
Social Security Administration
Data Operations Center
Attn: Laser Forms Approval, Room 359
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

IRS for Red-ink Forms
W-2 Copy A and W-3
Internal Revenue Service
Attn: Substitute Forms Coordinator
W:CAR:MP:T:T:SP, Room 6411
1111 Constitution Ave, N.W.
Washington, DC 20224

15. Do not print, write or enter any data in the margins of Form W-3. These areas are used for control information during SSA's processing.
16. The font used to print data on Forms W-3 should be 12 point courier, using black ink.
17. Do **not** use script, inverted font, italics and/or dual case fonts when entering data on the forms.
18. Do **not** use inks that contain red pigment on forms that contain employer provided information.
19. Do **not** erase, whiteout, or strike over an entry.
20. Paper for privately-printed substitute forms (cut sheets and continuous pin feed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, 18-20 pound paper only, OCR bond with specific weight requirements. See IRS Publication 1141.
21. Data entries on the Forms W-3 should be machine printed whenever possible.
22. The data entered must be presented in clear, dark images to guarantee optically scannable forms and all copies must be legible.
23. Insert data within the box. Do not go outside of boxed area when entering data.
24. Make all dollar entries **without** the dollar sign and **without** the comma, but **use** the decimal point and show the cents portion of money amounts.
25. If a box does **not** apply, leave it blank.
26. The back of substitute Form W-3 must be free of all printing and left blank.

Form W-3

box a Control number - Optional -

1. Some employers use this box for recordkeeping purposes.
2. If you use this box, please keep data within boxed area.
3. Printed data should be centered in the box and not touch any vertical or horizontal lines.

box c Total Number of Forms W-2 - Required -

1. Must be numeric.
2. Must contain the total number of completed individual W-2 forms being sent with the W-3 transmittal.
3. Do **NOT** include "Void" W-2 forms in the count.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer <input type="checkbox"/> 941 <input type="checkbox"/> CT-1 <input type="checkbox"/> Military <input type="checkbox"/> Hshld. emp. <input type="checkbox"/> Medicare govt. emp. <input type="checkbox"/> Third-party sick pay		1 Wages, tips, other compensation	2 Federal income tax withheld
c Total number of Forms W-2 33333		3 Social security wages	4 Social security tax withheld
d Establishment number		5 Medicare wages and tips	6 Medicare tax withheld
e Employee identification number		7 Social security tips	8 Allocated tips
f Employee's name		9 Advance EIC payments	10 Dependent care benefits
		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
g Employee's address and ZIP code		14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person	Telephone number ()	For Official Use Only	
Email address	Fax number ()		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form **W-3 Transmittal of Wage and Tax Statements** **2004**

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

box b Kind of Payer - Required -

1. This box is used to indicate the type of employment reported on the attached W-2s.
2. Most companies only have one "Kind of Payer." Check only one box unless the second box checked is "Third-party sick pay."
3. If you have more than one (except "Third-party sick pay") then you must group the W-2s Copy A by each kind of payer and send with a separate Form W-3 to SSA.
4. Must contain an "X" in the box that applies and can contain only one "X" unless the second "X" is for Third-party sick pay.
5. Kind of payers - (See Chapter 2: Special Considerations for more information on "Kinds of Payers")
 - a) Agricultural - (941).
 - b) Household - (Hshld. emp.) - even with just one household employee, a W-2 and W-3 must be filed.
 - c) Military - (Military).
 - d) Medicare govt emp - (Medicare govt. emp.) - for employees subject only to the 1.45 percent Medicare tax-state/local agency.
 - e) Railroad (RRTA) - (CT-1).
 - f) Third-party sick pay - (Third-party sick pay) - if you are required to check box 13 on Form W-2. This is the only box that may be marked in conjunction with one of the other boxes.
 - g) 941 - (941) - the majority of employers fall within this "Kind of Payer" and have to file quarterly 941 forms.

Form W-3

box d Establishment Number - Optional -

Not required by SSA.

1. May be used by employer to identify separate establishments within the business.
2. Entry may be alpha and/or numeric.

DO NOT STAPLE OR FOLD			
a Control number		33333	
		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer ▶	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>
	CT-1 <input type="checkbox"/>	Hshld. emp. <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>
		Third-party sick pay <input type="checkbox"/>	
c Total number of Forms W-2		d Establishment number	
e Employer identification number		1 Wages, tips, other compensation	
f Employer's name		2 Federal income tax withheld	
		3 Social security wages	
		4 Social security tax withheld	
		5 Medicare wages and tips	
		6 Medicare tax withheld	
		7 Social security tips	
		8 Allocated tips	
		9 Advance EIC payments	
		10 Dependent care benefits	
		11 Nonqualified plans	
		12 Deferred compensation	
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
g Employer's address and ZIP code			
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number	For Official Use Only
Email address		Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

Form **W-3 Transmittal of Wage and Tax Statements**

2004

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

box e Employer identification number - Required -

1. Must be the same EIN used in W-2 box b for the W-2s being reported as well as being the same EIN used in preparing Federal Forms 940, 941, and/or 943.
2. Enter the 9 digit number assigned by the IRS 00-0000000
 - a) Must be 10 positions.
 - b) Hyphen only in position 3.
 - c) Numerics only in positions 1, 2 and 4 through 10.
 - d) See Chapter 2: Special Considerations to see whether your agent's number or third-party sick pay provider EIN is used in this box.
 - e) See Chapter 4: Common Errors - Dos and Don'ts for numbers that cannot be used.
3. If using the preprinted form sent by IRS, verify that the information is correct.
4. If you applied for but have not received your EIN when filing your Form W-3, enter "Applied For" in the box. You must have completed Form SS-4, Application for an EIN.
5. Do not use a prior owner's EIN.

Form W-3

box f Employer's name - Required -

1. Must match the name entered in box c of the W-2s being reported and match the name on Forms 940, 941 and 943.
2. Show your full name
 - a) If an agent prepared the Form W-2, then use the agent's name.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
3. If using the preprinted form sent by the IRS, verify that the information is correct and make any corrections needed directly on your preprinted form.

DO NOT STAPLE OR FOLD			
a Control number		33333	
		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer	941	Military	943
	CT-1	Hshd. emp.	Medicare gov't emp. Third-party sick pay
c Total number of Forms W-2		Establishment number	
e Employer identification number		1 Wages, tips, other compensation	
f Employer's name		2 Federal income tax withheld	
		3 Social security wages	
		4 Social security tax withheld	
		5 Medicare wages and tips	
		6 Medicare tax withheld	
		7 Social security tips	
		8 Allocated tips	
		9 Advance EIC payments	
		10 Dependent care benefits	
		11 Nonqualified plans	
		12 Deferred compensation	
		13 For third-party sick pay use only	
		14 Income tax withheld by payer of third-party sick pay	
g Employer's address and ZIP code			
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number	For Official Use Only
Email address		Fax number	
Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.			
Signature ▶		Title ▶	Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** **2004** Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

box g Employer's address and ZIP code - Required -

1. Must be the same address and ZIP code entered in box c of the Forms W-2 being reported and the same as the address on Forms 940, 941 and 943.
 - a) If an agent prepared the Form W-2, then use the agent's name (box f) and agent's address in this box.
 - b) See Chapter 2: Special Considerations regarding third-party sick pay reporting - when liability is not transferred, the third-party provider would complete the W-2 using his third-party name and address.
2. If using the preprinted form sent by the IRS, verify that the information is correct and make any corrections needed directly on your preprinted form.

box h Other EIN used this year - Required, if applicable -

1. Cannot match the EIN in box e.
2. Required entry if, during the year, you used an EIN (including a prior owner's EIN) on Form 941 or 943 that is different from the EIN in box e above.
3. Entry should be shown as 10 positions
 - a) Hyphen only in position 3
 - b) Numeric only in positions 1, 2 and 4 through 10.
4. See Chapter 2: Special Considerations - if an agent prepared the Forms W-2 for only one employer (other than itself), enter employer's EIN in this box; otherwise, leave this box blank.

Form W-3

DO NOT STAPLE OR FOLD

a Control number		33333		For Official Use Only ▶ OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> Third-party sick pay	3 Social security wages
c Total number of Forms W-2	d Establishment number			4 Social security tax withheld	5 Medicare wages and tips
e Employer identification number				6 Medicare tax withheld	7 Social security tips
f Employer's name				8 Allocated tips	9 Advance EIC payments
				10 Dependent care benefits	11 Nonqualified plans
				12 Deferred compensation	13 For third-party sick pay use only
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number ()	For Official Use Only
Email address				Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

Form **W-3 Transmittal of Wage and Tax Statements** **2004**

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Complete the following Form W-3 boxes based on the W-2 Statements.

- Do not include in total any amounts from "Void" W-2 forms.
- The totals in each W-3 box must equal the total combined entries of the W-2 forms.

- box 1** Wages, tips, other compensation - **Required** - Must equal the total combined entries in box 1 of the W-2 forms.
- box 2** Federal income tax withheld - **Required** - Must equal the total combined entries in box 2 of the W-2 forms.
- box 3** Social security wages - **Required, if applicable** - Must equal the total combined entries in box 3 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.
- box 4** Social security tax withheld - **Required, if applicable** - Must equal the total combined entries in box 4 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp. Must contain an entry if box 3 contains an entry.
- box 5** Medicare wages and tips - **Required, if applicable** - Must equal the total combined entries in box 5 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.
- box 6** Medicare tax withheld - **Required, if applicable** - Must equal the total combined entries in box 6 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp. Must contain an entry if box 5 contains an entry.
- box 7** Social security tips - **Required, if applicable** - Must equal the total combined entries of box 7 of the W-2 forms. Cannot include an entry when "Kind of Payer" (box b) is Railroad (CT-1) or Medicare Govt. Emp.
- box 8** Allocated tips - **Required, if applicable** - Must equal the total combined entries in box 8 of the W-2 forms.
- box 9** Advance EIC payments - **Required, if applicable** - Must equal the total combined entries in box 9 of the W-2 forms.
- box 10** Dependent Care Benefits - **Required, if applicable** - Must equal the total combined entries in box 10 of the W-2 forms.
- box 11** Nonqualified plans - **Required, if applicable** - Must equal the total combined entries of box 11 of the W-2 forms.

Form W-3

box 13 For third-party sick pay use only - Required, if applicable -

1. Third-party payers of sick pay filing Third-Party Sick Pay Recap Forms W-2 and W-3 must enter "Third-Party Sick Pay Recap" in this box.
2. See Chapter 2: Special Considerations for more information.
3. Employers using the optional rule for Form W-2 would complete this box.

box 12 Deferred Compensation - Required, if applicable -

1. Must enter one total of all amounts reported **with** Codes D-H and S in box 12 on Forms W-2.
2. Do not enter a code.
3. Do **not** include amounts for Codes A- C, J-R, and T-W in the total.

DO NOT STAPLE OR FOLD

a Control number 33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 <input type="checkbox"/> Military CT-1 <input type="checkbox"/> Hshid. emp. 943 <input type="checkbox"/> Medicare gov. emp. Third-party sick pay <input type="checkbox"/>	1 Wages, tips, other compensation		2 Federal income tax withheld
	3 Social security wages		4 Social security tax withheld
c Total number of Forms W-2	d Establishment number	5 Medicare wages and tips	6 Medicare tax withheld
e Employer identification number		7 Social security tips	8 Allocated tips
f Employer's name		9 Advance EIC payments	10 Dependent care benefits
		11 Nonqualified plans	12 Deferred compensation
		13 For third-party sick pay use only	
g Employer's address and ZIP code		14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year			
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax
		18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number ()	For Official Use Only
Email address		Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature ▶

Title ▶

Date ▶

Form **W-3** Transmittal of Wage and Tax Statements

2004

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Contact person, telephone number, fax number and e-mail address - Optional -

Please complete this information.
SSA may contact you if questions arise during processing of your W-2 and W-3 information.

Signature, Title and Date - Mandatory -

Prior to submitting Form W-3 to SSA, ensure that the Form W-3 is properly signed including your title and the date.

boxes 15-19 State tax information - Optional -

Not required by SSA.

box 14 Income tax withheld by payer of third-party sick pay - Required if applicable -

1. Must be completed if you have employees who had income tax withheld on third-party payments of sick pay.
2. This tax must be shown separately here even though it is also included in box 2.

Chapter 4: Common Errors - Dos and Don'ts

Section Overall

Common errors made:

- Omitting an SSN or using an invalid SSN.
- Omitting an EIN or using an invalid EIN.
- Omitting an employee's name or using an employee's name that does not agree with the name on the employee's Social Security card.
- Not formatting the employee's name correctly in box e of the Form W-2. (Enter the employee's first name and middle initial in the first box and his or her last name in the second box.)
- Not submitting wage reports to SSA when terminating a business.
- Treating employees as independent contractors and not filing the correct form (W-2) to report their earnings to SSA.
- Not filing a W-2 on wages for household workers.
- Not issuing Forms W-2 for wages under \$600.
- Filing a Form W-2 when you should have filed a Form W-2c to correct previously reported wage information.
- Submitting Forms W-2 without the transmittal W-3 form.
- Submitting Forms W-2 and/or W-3 with incorrect tax year.
- Using Forms W-2 or W-3 that are not standard and not in compliance with prevailing rules and regulations.
- Preparing Forms W-2 and/or W-3 that are not machine readable/scannable by our imaging equipment.
- Mailing the Forms W-2 Copy A and W-3 to the incorrect Government agency (W-2 copy A and W-3 are remitted to SSA).
- Creating out-of-balance conditions between the Form W-2 amounts and either the W-3 summary totals or the sum of the four quarterly Form 941 reports or Annual Form 943.
- Inappropriately marking the "Retirement plan" checkbox in box 13.

Section Data Entry

Common errors made:

- Using ink that is too light for data entries (must use very dark nonreflective black ink). Do not use inks that contain red pigment on forms that contain employer provided information.
- Not using the correct size of print (font used to print data on the forms should be 12-point courier).
- Using script, inverted font, italics and/or dual case fonts when preparing the forms.

Data Entry (cont.)**Common errors made:**

- Letting entries cross one or more of the vertical or horizontal lines that separate the boxes.
- Striking over an entry, erasing entries, using whiteout.

**Section
Boxes that Contain
Amounts****Common errors made:**

- Using dollar signs or commas in amount boxes (no “\$” or “,” are to be used in amount fields).
- **Not** using decimal points (decimal point must be shown even when the entry is even dollars).
- Showing negative amounts (no entry may be a negative amount).
- Putting zeros in a box to indicate no dollar amount (when the amount is zero, leave the box blank).
- Not showing the cents portion of money amounts.

**Section
Employer Identification
Number (EIN)****Common errors made:**

- Using an incorrect EIN and/or not using the correct format for EIN, which is 10 positions, all numerics and one hyphen in position 3. Format should be 00-00000000.
- Using invalid numbers as part of the EIN. The first 2 left most positions cannot be 00, 07, 08, 09, 17, 18, 19, 28, 29, 49, 69, 70, 78, 79 or 89.
- Using an invalid EIN. The EIN cannot be 12-3456789 as this number has not been assigned.
- Using a prior owner’s EIN.

**Section
Employee Social
Security Number (SSN)****Common errors made:**

- Using an incorrect SSN and/or not using the correct format for SSN, which is 11 positions, all numerics and 2 hyphens in positions 4 and 7. Format should be 000-00-0000.
- Using invalid numbers as part of the SSN. The first 3 left-most positions cannot be 000, 666, 734 through 749, or 773 through

999. Positions 5 through 6 cannot be 00 and positions 8 through 11 cannot be 0000. For more information on SSNs issued and the most recent numbers allocated, go to <http://www.socialsecurity.gov/foia/ssnweb.html>.

- Using invalid SSNs. The SSN cannot be 111-11-1111, 333-33-3333 or 123-45-6789.
- Using an ITIN. The IRS will issue an ITIN to a nonresident or resident alien, if they do not have and are not eligible for an SSN. This is a 9-digit number, formatted like an SSN **BUT** the ITIN begins with the number “9” and is **NOT** an SSN.

Section Employee Name

Common errors made:

- Not displaying the name correctly.

DO: Match the name on the W-2 to the name shown on the employee’s Social Security card.

DO: Enter the employee’s first name and middle initial in the first box and his or her last name in the second box.

DO: Separate compound surnames with either a hyphen or a blank space.

DO: Connect single letter prefixes, i.e., "O" or "D" with the rest of the surname or join with an apostrophe.

DON’T: Include titles in prefixes such as Doctor, Dr., RN, Captain, Mr., Mrs., etc.

DON’T: Include titles or academic degrees in suffixes such as Senior, Junior, II, III, MD, Ph.D., CPA, etc.

The following are examples of how to properly display names on the W-2. The first column “Name” is an example of a name. The second and third columns show how the name should be correctly entered on the W-2.

Name	W-2 (first half of box e) First name, middle initial	W-2 (second half of box e) Last name
Susan B. Smith Johnson	Susan B	Smith-Johnson or Smith Johnson
Anthony D’Angelo (no middle name)	Anthony	D’Angelo or DAngelo
Grace H. O’Malley	Grace H	O’Malley or OMalley
Maria Mercedes Sancho Davila	Maria M	Sancho-Davila or Sancho Davila
Maria Rodriguez de Perez (no middle name)	Maria	Rodriguez-de-Perez or Rodriguez de Perez

Name	W-2 (first half of box e) First name, middle initial	W-2 (second half of box e) Last name
Maria Elena Rodriguez-de-Perez	Maria E	Rodriguez-de-Perez or Rodriguez de Perez
Diego Garcia-y-Vega (no middle name)	Diego	Garcia-y-Vega or Garcia y Vega
Jose Ramon Lopez Gonzales	Jose R	Lopez-Gonzales or Lopez Gonzales
Ivan Ramirez Arellano (no middle name)	Ivan	Ramirez-Arellano or Ramirez Arellano
Catherine L. Smith Le May	Catherine L	Smith-Le-May or Smith Le May
Majed S. El Alami	Majed S	El-Alami or El Alami
Jason Walks Over Ice (no middle name)	Jason	Walks Over Ice or Walks-Over-Ice
Michael Bull Shows (no middle name)	Michael	Bull Shows or Bull-Shows
Alexann Yellowtail	Alexann	Yellowtail
John Tuan Van Tran	John T	Tran
Xiao Jaun Liu	Xaio J	Liu
Mei Fang Chiang-Hsiao	Mei F	Chiang-Hsaio or Chiang Hsaio
Ming Ou-Young	Ming	Ou-Young or Ou Young
Mary Yao Ching Chao-Chiu	Mary Y	Chao-Chiu or Chao Chiu
Nam Van Tram	Nam V	Tram
Mai Thi Nguyen	Mai T	Nguyen
Mi Jan Kim	Mi J	Kim

Chapter 5: Reporting Examples for Preparing Paper Forms W-2, W-3 and 941

Introduction

This chapter provides examples of proper/improper paper reporting. We included examples of correctly and incorrectly prepared reports. The incorrect reports contain errors that could have been prevented if the software used to prepare them complied with the specifications and edits. Documents covered include:

- Form W-2, Wage and Tax Statement;
- Form W-3, Transmittal of Wage and Tax Statements; and
- Form 941, Employer's Quarterly Federal Tax Return.

Inquiries

Please contact your regional ESLO, as listed in Appendix B, if you have questions about the examples and information in this chapter. If you have tax questions or questions on tax law and regulations (including Form 941), call the IRS Information Reporting Customer Service Site at 1-866-455-7438 (Toll Free). If you have suggestions for improving this chapter, write to the address on page 20.

What is the Social Security and Medicare Tax Amount?

You must compute employee withholding and employer matching contributions separately for Social Security and Medicare. The following table shows the Social Security and Medicare tax rates and wage bases for TY 2004.

**Social Security and Medicare
Table of Tax Rates and Wage Bases
TY 2004**

<u>Federal Program</u>	<u>Taxable Earnings</u>	<u>Employee Withholding</u>	<u>Employer's Matching Contribution</u>	<u>Combined FICA Rate</u>
Social Security	\$ 87,900	6.20%	6.20%	12.40%
Medicare	All*	1.45%	1.45%	02.90%
Total FICA Rate		7.65%	7.65%	15.30%

* There is no limit on the amount of wages and tips that are subject to Medicare tax.

Examples

We have provided examples to illustrate various reporting situations. These examples will provide information for the Cabot Cove School District in TY 2004. The scenarios display the following information:

- Part I : Employer Wage and Tax Deposit Data - Forms 941, W-3 and W-2;
- Part II : Employee Wage and Tax Statements - Forms W-3 and W-2; and
- Exhibits: Payroll Register Data Tables.



CAUTION: The SSNs and EINs in the examples are intentionally invalid. Please refer to Chapter 4: Common Error's - Dos and Don'ts, for the current list of invalid numbers.

EXHIBITS: PAYROLL REGISTER DATA TABLES

Cabot Cove School in our example is a local publicly funded school system. The following exhibits are data tables of information from Cabot Cove's payroll register. This information provides the base data for the case scenario. The Cabot Cove School District has three kinds of employees:

- Normal fully covered Social Security employees who pay both Social Security and Medicare taxes. Wages and tips of these employees are subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees);
- Medicare Qualified Government employees (MQGE) who pay only Medicare taxes because they were participants in an IRS fully approved Public Retirement Plan that existed prior to 1968. Their wages are subject to only the 1.45 percent Medicare tax (MQGE employees); and
- Noncovered employees who pay neither Social Security nor Medicare, since they were hired before April 1, 1986. Their wages are exempt from the 6.2 percent Social Security tax and 1.45 percent Medicare tax (FICA-exempt employees).

Cabot Cove's EIN is 00-5678910. The information in Exhibit 1 on the next page contains summary employee information from Cabot Cove's payroll register. In addition, the exhibits on pages 64 through 67 illustrate wage and tax data for Cabot Cove on a quarterly basis and page 68 summarizes Cabot Cove's payroll on an annual basis.

Exhibit 1
Summary Employee Information
Cabot Cove School District

<u>Name (first, middle, last)</u>	<u>Name as shown on SS Card and Payroll Register</u>	<u>SSN</u>	<u>Employment Type</u>
Elizabeth Lee Strosnider	Elizabeth L. Strosnider	000-01-0101	FICA
Diego Garcia-y-Vega	Diego Garcia y Vega	000-56-7890	FICA
Alfredo Giuseppe Richardo Marano	Alfredo G. R. Marano	000-67-8901	MQGE
Tae-Jin Kim	Tae-Jin Kim	000-89-0123	FICA
Jose Schaeffer	Jose Schaeffer	000-78-9012	FICA
Lois Germaine Sheppard	Lois G. Sheppard	000-90-1234	FICA
John R. McNamara ¹	John R. McNamara	000-45-6789	MQGE/FICA
Mary V. Smith	Mary V. Smith	000-23-4567	FICA-Exempt
Thomas J. Mason ²	Thomas J. Mason	000-78-9012	FICA
Samuel L. Johnson ³	Samuel L. Johnson	000-21-0987	FICA/Retired
Nicole Craig	Nicole Craig	000-54-3210	FICA/Retired and Active

¹ From January 1 through June 30, 2004, John R. McNamara earned MQGE wages subject to only Medicare tax. Effective July 1, 2004, Mr. McNamara was subject to full-FICA coverage.

² Thomas J. Mason is 45 years old. He elected to be covered by Group-Term Life Insurance (GTLI). His insurance coverage is \$150,000.

³ Samuel Johnson is a retired employee who elected to be covered by GTLI after retirement. His insurance coverage is \$125,000.

**FIRST QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 000-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active	9,709.80					9,709.80	1,941.96	9,709.80	602.01	9,709.80	140.79
Lois G. Sheppard 000-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	MQGE Active	15,125.00					15,125.00	3,025.00		-	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired											
Nicole Craig 000-54-3210	FICA Active	15,000.00		300.00			14,700.00	2,940.00	15,000.00	930.00	15,000.00	217.50
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	0.00	0.00	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	97,260.88	1,008.75	300.00	0.00	0.00	97,969.63	19,593.93	98,269.63	6,092.72	98,269.63	1,424.91
First Quarter Total		139,885.88	1,008.75	300.00	-	-	140,594.63	28,118.93	98,269.63	6,092.72	126,894.63	1,839.97

**SECOND QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 000-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active - SK	6,473.20		2,666.67 SK PAY	1,600.00	1,600.00	8,073.20	1,614.54	8,073.20	500.54	8,073.20	117.06
Lois G. Sheppard 000-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	MQGE Active	15,125.00					15,125.00	3,025.00		-	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired						-		-	-		-
Nicole Craig 000-54-3210	FICA Active	15,000.00		300.00		50,000.00	14,700.00	2,940.00	65,000.00	4,030.00	65,000.00	942.50
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	0.00	0.00	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	94,024.28	1,008.75	2,966.67	1,600.00	51,600.00	96,333.03	19,266.61	146,633.03	9,091.25	146,633.03	2,126.18
Second Quarter Total		136,649.28	1,008.75	2,966.67	1,600.00	51,600.00	138,958.03	27,791.61	146,633.03	9,091.25	175,258.03	2,541.24

* Jose Schaeffer - Cabot Cove assumed responsibility for reporting the sick pay wages.

Gross amount of sick pay employee received in the second quarter..... \$2,666.67

Employer contributed 60 percent of the premiums to the sick pay plan..... 0.60

Taxable portion of sick pay (including Federal wages, SSA wages and Medicare wages)..... \$1,600.00

Cabot Cove deducted the employee taxes withheld and deposited by the sick pay provider (1,600 x .0765 = 122.40) on line 9 of Form 941.

* Nicole Craig - Cabot Cove contributed 2 percent of Nicole's salary to a nonqualified deferred compensation plan (NQDCP).

Nicole retired 6/30/04, at age 55. Cabot Cove's total contribution to Nicole's NQDCP was \$50,600, of which \$600 was deferred.

THIRD QUARTER EMPLOYEE PAYROLL DATA CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.95
Diego Garcia y Vega 000-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.02	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	19,900.00	1,233.80	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active - SK			8,000.00 SK PAY	4,800.00	4,800.00	4,800.00	960.00	4,800.00	297.60	4,800.00	69.60
Lois G. Sheppard 000-90-1234	FICA Active - WC	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 000-45-6789	MQGE/FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 000-21-0987	FICA Retired						-			-	-	-
Nicole Craig 000-54-3210	FICA Retired			4500.00			-	-		-	-	-
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	72,551.08	1,008.75	12,500.00	4,800.00	4,800.00	78,359.83	15,671.97	64,259.83	3,984.11	78,359.83	1,136.22
Third Quarter Total		115,176.08	1,008.75	12,500.00	4,800.00	4,800.00	120,984.83	24,196.97	79,384.83	4,921.86	106,984.83	1,551.28

* Tae-Jin Kim - Cumulative first, second and third quarter wages of \$102,000 are over the Social Security limit of \$87,900 for TY 2004.

In the third quarter, only \$19,900 of the \$34,000 in wages received are taxable for Social Security.

* Jose Schaeffer - Third-party sick pay continues and is received within the 6 month time frame when amounts are taxable.

Gross amount of sick pay employee received in the third quarter. \$8,000.00

Employer contributed 60 percent of the premiums to the sick pay plan 0.60

Taxable portion of sick pay (including Federal wages, SSA wages and Medicare wages) \$4,800.00

Cabot Cove deducted the employee taxes withheld and deposited by the sick pay provider (4,800 x .0765 = 367.20) on line 9 of Form 941.

* Nicole Craig - Withdrew \$4,500 from the NQDCP. As a governmental entity Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

**FOURTH QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 000-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.95
Diego Garcia y Vega 000-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.02	8,887.50	128.87
Alfredo G.R. Marano 000-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00		-	13,500.00	195.75
Tae-Jin Kim 000-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	0.00	-	34,000.00	493.00
Jose Schaeffer 000-78-9012	FICA Active - SK				4,800.00	3,200.00	4,800.00	960.00	3,200.00	198.40	3,200.00	46.40
Lois G. Sheppard 000-90-1234	FICA Active - WC	4,576.76		8,000.00 SK PAY - P1 2,000.00 SK PAY - P2			4,576.76	915.35	4,576.76	283.76	4,576.76	66.36
John R. McNamara 000-45-6789	MQGE/FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.32
Mary V. Smith 000-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00		-		-
Thomas J. Mason 000-78-9012	FICA Active	12,500.00		150.00 LIFE INS	150.00	150.00	12,650.00	2,500.00	12,650.00	784.30	12,650.00	183.43
Samuel L. Johnson 000-21-0987	FICA Retired			387.00 LIFE INS	387.00	387.00	387.00		387.00	-	387.00	-
Nicole Craig 000-54-3210	FICA Retired			4500.00			-	-		-		-
Total	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
	MQGE/FICA	15,125.00	0.00	0.00	0.00	0.00	15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.32
	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	70,262.76	1,008.75	15,037.00	5,337.00	3,737.00	76,608.51	15,214.30	41,008.51	2,518.54	75,008.51	1,082.02
Fourth Quarter Total		112,887.76	1,008.75	15,037.00	5,337.00	3,737.00	119,233.51	23,739.30	56,133.51	3,456.29	103,633.51	1,497.08

* Tae-Jin Kim - Cumulative wages of \$136,000 are over the Social Security limit of \$87,900 for TY 2004. No Social Security tax was withheld for the fourth quarter

* Jose Schaeffer - Third-party sick pay continues. Sick pay received in December is not taxable for Social Security and Medicare

Gross amount of sick pay employee received in the fourth quarter \$8,000.00

Employer contributed 60 percent of the premiums to the sick pay plan 0.60

Taxable portion of sick pay for Federal wages (including the entire quarter) \$4,800.00

Amounts received in October and November are taxable for Social Security and Medicare. ((2,666.67 x .60 = 1,600) X 2 = 3,200)).

Cabot Cove deducted the employee taxes withheld and deposited by the sick pay provider (3,200 x .0765 = 244.80) on line 9 of Form 941.

Employer paid 100 percent of the premiums on Ms. Sheppard's policy. ACME assumed responsibility for paying Cabot Cove's FICA taxes and reporting the sick pay wages.

* Thomas J. Mason - See Form W-2 for taxable income calculations related to group-term life insurance over \$50,000.

* Samuel L. Johnson - See Form W-2 for taxable income calculations related to group-term life insurance over \$50,000.

* Nicole Craig - Withdrew \$4,500 from the NQDCP. As a governmental entity, Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

**PAYROLL REGISTER ANNUAL SUMMARY
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER**

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		6.20% Tax Withheld	Medicare		1.45% Tax Withheld
									Wages & Tips	Wages & Tips		Wages & Tips	Tax Withheld	
Elizabeth L. Strosnider 000-01-0101	FICA Active	45,229.00	-	-	-	-	45,229.00	9,045.80	45,229.00	45,229.00	2,804.20	45,229.00	655.82	
Diego Garcia y Vega 000-56-7890	FICA Active	31,515.00	4,035.00	-	-	-	35,550.00	7,110.00	35,550.00	35,550.00	2,204.10	35,550.00	515.48	
Alfredo G.R. Marano 000-67-8901	MQGE Active	54,000.00	-	-	-	-	54,000.00	10,800.00	-	-	-	54,000.00	783.00	
Tae-Jin Kim 000-89-0123	FICA Active	136,000.00	-	-	-	-	136,000.00	27,200.00	87,900.00	87,900.00	5,449.80	136,000.00	1,972.00	
Jose Schaeffer 000-78-9012	FICA Active - SK	16,183.00	-	18,666.67	11,200.00	9,600.00	27,383.00	5,476.60	25,783.00	25,783.00	1,598.55	25,783.00	373.85	
Lois G. Sheppard 000-90-1234	FICA Active - WC	25,172.00	-	2,000.00	-	-	25,172.00	5,034.40	25,172.00	25,172.00	1,560.66	25,172.00	364.99	
John R. McNamara 000-45-6789	MQGE/FICA Active	60,500.00	-	-	-	-	60,500.00	12,100.00	30,250.00	30,250.00	1,875.50	60,500.00	877.25	
Mary V. Smith 000-23-4567	FICA-Exempt Active	56,000.00	-	-	-	-	56,000.00	11,200.00	-	-	-	-	-	
Thomas J. Mason 000-78-9012	FICA Active	50,000.00	-	150.00	150.00	150.00	50,150.00	10,000.00	50,150.00	50,150.00	3,109.30	50,150.00	727.18	
Samuel L. Johnson 000-21-0987	FICA Retired	-	-	387.00	387.00	387.00	387.00	-	387.00	387.00	-	387.00	-	
Nicole Craig 000-54-3210	FICA Retired	30,000.00	-	9,600.00	-	50,000.00	29,400.00	5,880.00	80,000.00	80,000.00	4,960.00	80,000.00	1,160.00	
Total	MQGE	54,000.00	-	-	-	-	54,000.00	10,800.00	-	-	-	54,000.00	783.00	
	MQGE/FICA	60,500.00	-	-	-	-	60,500.00	12,100.00	30,250.00	30,250.00	1,875.50	60,500.00	877.25	
	FICA-Exempt	56,000.00	-	-	-	-	56,000.00	11,200.00	-	-	-	-	-	
	FICA	334,099.00	4,035.00	30,803.67	11,737.00	60,137.00	349,271.00	69,746.80	350,171.00	350,171.00	21,686.61	398,271.00	5,769.32	
Annual Grand Total		450,599.00	4,035.00	30,803.67	11,737.00	60,137.00	519,771.00	103,846.80	380,421.00	380,421.00	23,562.11	512,771.00	7,429.57	

Notes - Reconciling from the Annual Summary Payroll Register to the 941 Annual Mock-up.

- Line 6a Social Security regular wages = \$380,421 less the allocated tips of \$4,035 = \$376,386.
- Line 6b Social Security tax = (\$23,562.11 less allocated tips (\$4,035 X .062) \$250.17 plus (S. Johnson see below prior to adjustment \$387 x .062) \$23.99) multiplied by 2 = \$46,671.86.
- Line 7b Medicare tax = (\$ 7,429.57 plus (S. Johnson see below prior to adjustment \$387 x .0145) \$56.11) multiplied by 2 = \$14,870.36.
- Line 9 sick pay = employee taxes not withheld on sick pay (\$9600.00 X .0765 =<734.40>).
- Line 9 other = Combined total of <\$29,60> derived from \$387 x .062 = <23.99> and \$387 x .0145 = <5.61> which represents Samuel Johnson's \$387 GTL over \$50,000.

The company paid their portion of the tax but does not withhold on the employee's portion.

*Nicole Craig withdrew \$9,000 from the NQDCP. As a governmental entity, Cabot Cove must report this distribution on IRS Form 1099-R and not in current year wages.

Part I: Cabot Cove Case Scenario Wage and Tax Deposit Employer Data - Forms W-2, W-3, and 941

Introduction

Part I contains four quarterly (and one annual mock-up) IRS Forms 941 and two Forms W-3 that summarize Forms W-2 information from the Cabot Cove School District. This information illustrates how:

- Cabot Cove reported its quarterly payroll and tax deposit data to IRS; and
- The annual sum of Cabot Cove's quarterly Form 941 data agree with Cabot Cove's W-3 data for the same calendar year.

The annual Form 941 mock-up (page 72) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the quarterly Forms 941 (pages 73 through 76) with (2) the sum of the two Forms W-3 (pages 77 and 78). In addition, the first Form W-3 (page 77) includes wage and tax data compiled under the combined reporting option elected by Cabot Cove, which consolidated both the MQGE and full-FICA wages earned by an employee based on that employee's continuing work in employment that became covered under FICA during the year. The Form W-3 on page 77 also includes FICA-exempt employee wages compiled under the combined reporting option for wages not subject to FICA tax (employer's also have the option of grouping FICA-exempt wages and reporting those wages under a separate Form W-3). The second Form W-3 (page 78) contains MQGE wage and tax data only.

Cabot Cove's Forms 941 and W-3 contained in Part I are correct examples because they meet the following criteria. Cabot Cove's correct Form W-2 data are displayed in Part II and compared with common reporting errors.

Payroll Register vs. Forms 941

- Each quarterly Form 941 balances to (1) the sum of the corresponding employee payroll register data for each quarter and (2) the corresponding annual payroll register summary data for each of the following:
 - a. Total wages, tips and other compensation and Federal income tax withheld;
 - b. Taxable Social Security wages and taxable Social Security tips; and
 - c. Taxable Medicare wages and tips.
- In terms of Social Security and Medicare wages and tips, Cabot Cove limited tax withholdings to the applicable Social Security wage base (\$87,900) and Medicare wage base (total employee compensation) for TY 2004.

- Regarding sick pay, Cabot Cove:
 - a. Treated sick pay payments correctly in terms of identifying wages representing (1) only the percentage of the premium cost of the sick pay plan borne by Cabot Cove as Federally taxable wages and (2) only the first 6 months of sick pay as taxable Social Security and Medicare wages; and
 - b. Properly adjusted the Social Security and Medicare taxes withheld on each applicable Form 941 (line 9) to reflect (1) employee taxes withheld and paid by a third-party payer and (2) uncollected employee Social Security and Medicare taxes.

Forms 941 vs. Forms W-3

- The employer's EIN* is valid and the name and address are correct on each type of form; both are reported consistently.
- The following data from the Forms W-3 balance to the annual sum of the four quarterly Forms 941:
 - a. Wages, tips and other compensation and Federal income tax withheld;
 - b. Social Security wages and Social Security tips; and
 - c. Medicare wages and tips.
- Regarding the Form W-3, Cabot Cove properly reported the income tax withheld by a payer of third-party sick pay in box 14 of the Form W-3, based on sick payments made to an employee by a third-party.

Forms W-3 vs. Forms W-2

- Each Form W-3 identifies the proper type of employment in box b for the accompanying Forms W-2.
- The sum of all wages and tax withheld on the Forms W-2 balance to the aggregate wages and tax withheld on the Forms W-3.
- Regarding the Forms W-2, all:
 - a. SSNs* are valid;
 - b. Employee names are properly printed (i.e., first, middle initial, last) and are consistent with the names printed on their Social Security cards (see Exhibit 1);
 - c. EINs* are valid and both the EIN and employer address are consistently reported on each form; and

* As noted on page 62, the EINs and SSNs in this publication are intentionally invalid. In the examples, they should be considered valid unless specifically noted as incorrect.

- d. Money amount boxes are properly prepared because they do not contain alpha entries, negative amounts, special characters or punctuation.
- In terms of Social Security wages and tips, Cabot Cove limited tax withholdings on the Forms W-2 to the applicable Social Security wage base (\$87,900) for TY 2004.
- Regarding Social Security and Medicare taxes withheld, the money amounts reported reflect the proper withholding rates of 6.2 percent and 1.45 percent respectively.
- Regarding Group-Term Life Insurance (GTLI) over \$50,000, Cabot Cove:
 - a. Used the Form W-2 to report the taxable cost of GTLI over \$50,000; and
 - b. Treated the cost of GTLI over \$50,000 as income and withheld only the FICA tax on that income for current (not retired) employees.
- Cabot Cove properly reported nonqualified deferred compensation by:
 - a. Including on the Form W-2 contributions to the plan¹ in boxes 3 and 5 and reporting the respective tax withholdings on those contributions in boxes 4 and 6; and
 - b. Including on the Form W-2 distributions from the plan as income in box 1 and reporting Federal income tax withholding on those distributions in box 2.

¹ Contributions that became taxable during the year based on the later of (1) when the services giving rise to the deferral are performed or (2) when there is no substantial forfeiture risk of rights to the deferred amounts.

Form **941**(Rev. January 2004)
Department of the Treasury
Internal Revenue Service (99)**Annual Mock-up Form 941**
Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state
code for state
in which
deposits were
made **only** if
different from
state in
address to
the right
(see page
2 of
instructions).

Name(as distinguished from trade name)

Date quarter ended

CABOT COVE SCHOOLS

Employer identification number

Trade name, if any

00-5678910

Address (number and street)

City, state, and ZIP code

123 EDUCATION WAY

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	8	9	9	9	9	9	9	9	10	10	10	10	10	10

OMB No. 1545-0029

T
FF
FD
FP
I
T

A If you **do not have to file** returns in the future, check here ▶ ☐ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶ ☐**1** Number of employees in the pay period that includes March 12th ▶ **1** 10**2** Total wages and tips, plus other compensation ▶ **2** 519771 00**3** Total income tax withheld from wages, tips, and sick pay ▶ **3** 103846 80**4** Adjustment of withheld income tax for preceding quarters of **this calendar year** ▶ **4****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4) ▶ **5** 103846 80**6** Taxable social security wages ▶ **6a** 376386 00

X12.4%(.124) =

▶ **6b** 46671 86Taxable social security tips ▶ **6c** 4035 00

X12.4%(.124) =

▶ **6d** 500 34**7** Taxable Medicare wages and tips ▶ **7a** 512771 00

X 2.9%(.029) =

▶ **7b** 14870 36**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ <734.40> ± Fractions of Cents \$ ± Other \$ <29.60> =

10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9) ▶ **10** 61278 56**11** **Total taxes** (add lines 5 and 10) ▶ **11** 165125 36**12** Advance earned income credit (EIC) payments made to employees (see instructions). ▶ **12****13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below (or line D of Schedule B (Form 941)).** ▶ **13** 165125 36**14** Total deposits for quarter, including overpayment applied from a prior quarter ▶ **14** 165125 36**15** **Balance due** (subtract line 14 from line 13). See instructions ▶ **15****16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐

17 Monthly Summary of Federal Tax Liability. (Complete Schedule B (Form 941) instead, if you are a semiweekly schedule depositor.)			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
			165125.36 for year

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see separate instructions)? ☐ Yes. Complete the following ☐ NoDesignee's
name ▶

Phone

no. ▶ ()

Personal identification

number (PIN) ▶

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941**

(Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as Cabot Cove School's total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)**1st Quarter**
Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **only** if
different from
state in
address to
the right ▶ ☐
(see page
2 of
instructions).

Name(as distinguished from trade name)

CABOT COVE SCHOOLS

Date quarter ended

March, 31, 2004

Trade name, if any

Employer identification number

00-5678910

Address (number and street)

City, state, and ZIP code

123 EDUCATION WAY

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	8	9	9	9	9	10	10	10	10	10	10	10	10	10

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you **do not have to file** returns in the future, check here ▶ ☐

and enter date final wages paid ▶

B If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶ ☐**1** Number of employees in the pay period that includes March 12th ▶ **1** 10**2** Total wages and tips, plus other compensation**2** 140594 63**3** Total income tax withheld from wages, tips, and sick pay**3** 28118 93**4** Adjustment of withheld income tax for preceding quarters of **this calendar year****4****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4)**5** 28118 93**6** Taxable social security wages**6a** 97260 88

X12.4%(.124) =

6b 12060 35

Taxable social security tips

6c 1008 75

X12.4%(.124) =

6d 125 09**7** Taxable Medicare wages and tips**7a** 126894 63

X 2.9%(.029) =

7b 3679 94**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐**8** 15865 38**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =

9**10** Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)**10** 15865 38**11** **Total taxes** (add lines 5 and 10)**11** 43984 31**12** Advance earned income credit (EIC) payments made to employees (see instructions).**12****13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below (or line D of Schedule B (Form 941)).****13** 43984 31**14** Total deposits for quarter, including overpayment applied from a prior quarter**14** 43984 31**15** **Balance due** (subtract line 14 from line 13). See instructions**15****16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$ _____and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐**17 Monthly Summary of Federal Tax Liability.**(Complete **Schedule B (Form 941)** instead, if you were a semiweekly schedule depositor.)

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
14661.44	14661.44	14661.43	43984.31

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following☐ No**Third
Party
Designee**Designee's
name ▶Phone
no. ▶ ()Personal identification
number (PIN) ▶**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941**

(Rev 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as Cabot Cove School's total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**(Rev. January 2004)
Department of the Treasury
Internal Revenue Service (99)**2nd Quarter**
Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state	<input type="checkbox"/> Name(as distinguished from trade name)	Date quarter ended <input type="checkbox"/>	OMB No. 1545-0029
code for state	CABOT COVE SCHOOLS	June 30, 2004	T
in which	Trade name, if any	Employer identification number	FF
deposits were		00-5678910	FD
made ONLY if	Address (number and street)	City, state, and ZIP code	FP
different from	123 EDUCATION WAY	BALTIMORE, MD 21201	I
state in			T
address to			
the right ▶ <input type="checkbox"/>			
(see page			
2 of			
instructions).			

If address is different from prior return, check here ▶ ☐

IRS USE	1 1 1 1 1 1 1 1 1 1 2	3 3 3 3 3 3 3 3	4 4 4	5 5 5
	6 7 8 8 8 8 8 8 8 8	9 9 9 9 9 9 9 9	10 10 10 10 10 10 10 10	10 10 10 10

A If you **do not have to file** returns in the future, check here ☐ and enter date final wages paid ▶

B If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶

1 Number of employees in the pay period that includes March 12th	▶ 1	10	
2 Total wages and tips, plus other compensation	2	138958	03
3 Total income tax withheld from wages, tips, and sick pay	3	27791	61
4 Adjustment of withheld income tax for preceding quarters of this calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4)	5	27791	61
6 Taxable social security wages	6a	145624	28
Taxable social security tips	6c	1008	75
7 Taxable Medicare wages and tips	7a	175258	03
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax ▶ <input type="checkbox"/>	8	23264	98
9 Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ <122.40> ± Fractions of Cents \$ ± Other \$ =	9	<122	40>
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)	10	23142	58
11 Total taxes (add lines 5 and 10)	11	50934	19
12 Advance earned income credit (EIC) payments made to employees (see instructions).	12		
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, (column (d) below or line D of Schedule B (Form 941)).	13	50934	19
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	50934	19
15 Balance due (subtract line 14 from line 13). See instructions	15		
16 Overpayment. If line 14 is more than line 13, enter excess here ▶ \$ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			
o All filers: If line 13 is less than \$2,500, do not complete line 17 or Schedule B (Form 941).			
o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ▶ <input checked="" type="checkbox"/> **			
o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ▶ <input type="checkbox"/>			

17 Monthly Summary of Federal Tax Liability. (Complete Schedule B (Form 941) instead, if you are a semiweekly schedule depositor.)			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
14428.06	14428.06	22078.07	50934.19
Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following <input type="checkbox"/> No			
Third Party Designee	Designee's name ▶	Phone no. ▶ ()	Personal identification number (PIN) ▶ <input type="checkbox"/>
	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.		
Sign Here	Signature ▶	Print Your Name and Title ▶	Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.
A Schedule B would be required as Cabot Cove School's total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)**3rd Quarter
Employer's Quarterly Federal Tax Return**

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right ▶ ☐
(see page
2 of
instructions).

Name(as distinguished from trade name)

CABOT COVE SCHOOLS

Trade name, if any

Date quarter ended

September 30, 2004

Employer identification number

00-5678910

Address (number and street)

123 EDUCATION WAY

City, state, and ZIP code

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	8	9	9	9	9	10	10	10	10	10	10	10	10	10

OMB No. 1545-0029

T
FF
FD
FP
I
T

A If you **do not have to file** returns in the future, check here ☐ and enter date final wages paid**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1	Number of employees in the pay period that includes March 12th	1	10	
2	Total wages and tips, plus other compensation	2	120984	83
3	Total income tax withheld from wages, tips, and sick pay	3	24196	97
4	Adjustment of withheld income tax for preceding quarters of this calendar year	4		
5	Adjusted total of income tax withheld (line 3 as adjusted by line 4)	5	24196	97
6	Taxable social security wages	6a	78376	08
	Taxable social security tips	6c	1008	75
7	Taxable Medicare wages and tips	7a	106984	83
8	Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax ▶ <input type="checkbox"/>	8	12946	28
9	Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ <367.20> ± Fractions of Cents \$ _____ ± Other \$ _____ =	9	<367	20>
10	Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)	10	12579	08
11	Total taxes (add lines 5 and 10)	11	36776	05
12	Advance earned income credit (EIC) payments made to employees (see instructions).	12		
13	Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, (column (d) below or line D of Schedule B (Form 941)).	13	36776	05
14	Total deposits for quarter, including overpayment applied from a prior quarter	14	36776	05
15	Balance due (subtract line 14 from line 13). See instructions	15		
16	Overpayment. If line 14 is more than line 13, enter excess here ▶ \$ _____ and check if to be: <input type="checkbox"/> Applied to next return or <input type="checkbox"/> Refunded.			

o All filers: If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o Semiweekly schedule depositors: Complete Schedule B (Form 941) and check here ▶ ☒ **o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here ▶ ☐

17 Monthly Summary of Federal Tax Liability. (Complete Schedule B (Form 941) instead, if you are a semiweekly schedule depositor.)			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
12258.68	12258.68	12258.69	36776.05

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following☐ NoThird
Party
DesigneeDesignee's
name ▶Phone
no. ▶ ()Personal identification
number (PIN) ▶Sign
Here

Signature ▶

Print Your
Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as Cabot Cove School's total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**(Rev. January 2004)
Department of the Treasury
Internal Revenue Service (99)**4th Quarter**
Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right ▶ ☐
(see page
2 of
instructions).

Name(as distinguished from trade name)

CABOT COVE SCHOOLS

Date quarter ended

December 31, 2004

Trade name, if any

Employer identification number

00-5678910

Address (number and street)

City, state, and ZIP code

123 EDUCATION WAY

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	9	9	9	9	9	9	9	10	10	10	10	10	10

OMB No. 1545-0029

T
FF
FD
FP
I
T

A If you do not have to file returns in the future, check here ▶ ☐ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶ ☐

1 Number of employees in the pay period that includes March 12th	▶ 1	10	
2 Total wages and tips, plus other compensation	2	119233	51
3 Total income tax withheld from wages, tips, and sick pay	3	23739	30
4 Adjustment of withheld income tax for preceding quarters of this calendar year	4		
5 Adjusted total of income tax withheld (line 3 as adjusted by line 4)	5	23739	30
6 Taxable social security wages	6a	55124	76
Taxable social security tips	6c	1008	75
7 Taxable Medicare wages and tips	7a	103633	51
8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages are not subject to social security and/or Medicare tax ▶ <input type="checkbox"/>	8	9965	93
9 Adjustment of social security and Medicare taxes (see instructions for required explanation) Sick Pay \$ <244.80> ± Fractions of Cents \$ ± Other \$ <29.60> =	9	<274	40>
10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)	10	9691	53
11 Total taxes (add lines 5 and 10)	11	33430	83
12 Advance earned income credit (EIC) payments made to employees (see instructions).	12		
13 Net taxes (subtract line 12 from line 11). If \$2,500 or more, this must equal line 17, (column (d) below or line D of Schedule B (Form 941)).	13	33430	83
14 Total deposits for quarter, including overpayment applied from a prior quarter	14	33430	83

15 Balance due (subtract line 14 from line 13). See instructions**16** Overpayment. If line 14 is more than line 13, enter excess here ▶ \$
and check if to be: ☐ Applied to next return or ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐

17 Monthly Summary of Federal Tax Liability. (Complete Schedule B (Form 941) instead, if you are a semiweekly schedule depositor.)			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
11143.61	11143.61	11143.61	33430.83

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following ☐ No**Third
Party
Designee**Designee's
name ▶Phone
no. ▶ ()Personal identification
number (PIN) ▶**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your
Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941**

(Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as Cabot Cove School's total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Combined W-3 for full-FICA W-2s, FICA-Exempt W-2, and optional combined MQGE and full-FICA W-2

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation	2 Federal income tax withheld
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt_emp. <input type="checkbox"/>	3 Social security wages	4 Social security tax withheld
			third-party sick_pay <input checked="" type="checkbox"/>	5 Medicare wages and tips	6 Medicare tax withheld
c Total number of forms W-2		d Establishment number		7 Social security tips	8 Allocated tips
10				9 Advance EIC payments	10 Dependent care benefits
e Employer identification number				11 Nonqualified plans	12 Deferred compensation
00-5678910				13 For third-party sick pay use only	
f Employer's name				14 Income tax withheld by payer of third-party sick pay	
CABOT COVE SCHOOLS				2240.00	
123 EDUCATION WAY					
BALTIMORE, MD 21201					
g Employer's address and ZIP code					
h Other EIN used this year					
15 State		Employer's state ID number		16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number	For Official Use Only
E-mail address				Fax number	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form

W-3 Transmittal of Wage and Tax Statements**2004**
 Department of the Treasury
 Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
 Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

W-3 for MQGE W-2s

W-2s Copy A, must be grouped by "Kind of Payer" and sent with a separate Form W-3. This Form W-3 represents the summary of W-2 information for Cabot Cove employee Alfred G. R. Marano, who is a Medicare govt. emp.

a Control number		33333	For Official Use Only OMB No. 1545-0008		
b Kind of Payer	941 <input type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation 54000.00	2 Federal income tax withheld 10800.00
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input checked="" type="checkbox"/>	3 Social security wages	4 Social security tax withheld
c Total number of forms W-2 1		d Establishment number		5 Medicare wages and tips 54000.00	6 Medicare tax withheld 783.00
e Employer identification number 00-5678910				7 Social security tips	8 Allocated tips
f Employer's name CABOT COVE SCHOOLS				9 Advance EIC payments	10 Dependent care benefits
123 EDUCATION WAY BALTIMORE, MD 21201				11 Nonqualified plans	12 Deferred compensation
				13 For third-party sick pay use only	
				14 Income tax withheld by payer of third-party sick pay	
g Employer's address and ZIP code					
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person				Telephone number ()	For Official Use Only
E-mail address				Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature	Title	Date
Form W-3	Transmittal of Wage and Tax Statements	2004

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Part II: Cabot Cove Case Scenario Employee Wage And Tax Statements Correct vs. Incorrect Reporting

Introduction

Part II contains Forms W-2 and various supporting Forms W-3. This information illustrates, on pages 80 through 93, correct versus incorrect reporting for:

- Employee names and SSNs;
- An EIN;
- Social Security wages and taxes;
- Medicare wages and taxes;
- FICA-Exempt wages and taxes;
- GTLI over \$50,000;
- Third-party sick pay; and
- Nonqualified deferred compensation.

Part II also illustrates both the split (pages 94-95) and combined (page 96) reporting options for a State or local Government employee who earned wages subject to the Medicare tax only, then became covered for full-FICA effective July 1, 2004.

See Chapter 2: Special Considerations for more information on State and local Government, third-party sick pay and agent reporting.

CORRECT vs. INCORRECT REPORTING - Employee Names and SSNs

Elizabeth Lee Strosnider is an employee subject to full-FICA. No tips were earned. The following W-2 facsimile illustrates the correct way to prepare the W-2.

a Control number 22222		Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008				
b Employer Identification number 00-5678910			1 Wages, tips, other compensation 45229.00		2 Federal income tax withheld 9045.80		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages 45229.00		4 Social security tax withheld 2804.20		
			5 Medicare wages and tips 45229.00		6 Medicare tax withheld 655.82		
			7 Social Security tips		8 Allocated tips		
d Employee's social security number 000-01-0101			9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial ELIZABETH L.			Last name STROSNIDER		11 Nonqualified plans		
567 ELM RD. BALTIMORE, MD 21201			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e		
					12b c o d e		
					12c c o d e		
					12d c o d e		
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The following W-2 for Elizabeth Lee Strosnider is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number 22222		Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008				
b Employer Identification number 00-5678910			1 Wages, tips, other compensation 45229.00		2 Federal income tax withheld 9045.80		
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201			3 Social security wages 45229.00		4 Social security tax withheld 2804.20		
			5 Medicare wages and tips 45229.00		6 Medicare tax withheld 655.82		
			7 Social Security tips		8 Allocated tips		
d Employee's social security number 005-67-8910			9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial BETTY L.			Last name STROSNIDER		11 Nonqualified plans		
567 ELM RD BALTIMORE, MD 21201			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e		
					12b c o d e		
					12c c o d e		
					12d c o d e		
f Employee's address and Zip code							
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The W-2 above is incorrect because the preparer recorded the EIN in Box d, "Employee's Social Security number" and used the employee's nickname in Box e, "Employee's name" instead of the proper first name. The name used in Box e should be the same as the name shown on the Social Security card. Recording an incorrect or improper name may result in SSA being unable to credit the wages to the employee's Social Security record. A typical error, as in this example, occurs when the preparer substitutes a nickname for the proper first name. Incorrect SSNs are also a common problem. Preparers frequently transpose digits, use another person's SSN, enter the EIN instead of the SSN or fail to record the complete SSN.

CORRECT vs INCORRECT REPORTING - Social Security/Medicare Wages and Taxes

Diego Garcia-y-Vega is an employee in the School Board executive dining room, subject to full-FICA. Unallocated tips equaled \$4,035.00. The name was reported exactly as shown on the Social Security card.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 35550.00	2 Federal income tax withheld 7110.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 31515.00	4 Social security tax withheld 2204.10
				5 Medicare wages and tips 35550.00	6 Medicare tax withheld 515.48
				7 Social Security tips 4035.00	8 Allocated tips
				9 Advance EIC payment	
d Employee's social security number 000-56-7890				10 Dependent care benefits	
e Employee's first name and initial DIEGO		Last name GARCIA-y-VEGA		11 Nonqualified plans	
432 SMITH AVE BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e	
				12b c o d e	
				12c c o d e	
				12d c o d e	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The following W-2 for Diego Garcia-y-Vega is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 35550.00	2 Federal income tax withheld 7110.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 31515.00	4 Social security tax withheld 2719.58
				5 Medicare wages and tips 35550.00	6 Medicare tax withheld
				7 Social Security tips 4035.00	8 Allocated tips
				9 Advance EIC payment \$	
d Employee's social security number 000-56-7890				10 Dependent care benefits	
e Employee's first name and initial DIEGO		Last name GARCIA-y-VEGA		12a See instructions for box 12 c o d e	
432 SMITH AVE. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				12c c o d e	
				12d c o d e	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The W-2 above is incorrect because the preparer neglected to calculate the Medicare tax liability and failed to apply the correct tax rate to Social Security wages and tips (by applying the combined Social Security/Medicare tax rate of 7.65 percent to the total Social Security wages instead of the correct Social Security rate of 6.2 percent). The taxes should have been calculated as follows:

Social Security tax withheld: (\$31,515.00 [box 3] + \$4035.00 [box 7]) X 6.2% = \$2,204.10

Medicare tax withheld: (\$35,550.00 [box 5]) X 1.45% = \$515.48

CORRECT vs INCORRECT REPORTING - Social Security/Medicare Wages and Taxes

Alfredo Giuseppe Richardo Marano is an employee subject to Medicare taxes only. A separate Form W-3 is required to summarize Mr. Marano's W-2 Copy A as his "Kind of Payer" is Medicare govt. emp.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 54000.00	2 Federal income tax withheld 10800.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages	4 Social security tax withheld
				5 Medicare wages and tips 54000.00	6 Medicare tax withheld 783.00
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-67-8901				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial ALFREDO G.		Last name MARANO		11 Nonqualified plans	12a See instructions for box 12 c o d e
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b c o d e
				14 Other	12c c o d e
					12d c o d e
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The following W-2 for Alfredo Giuseppe Richardo Marano is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 54000.00	2 Federal income tax withheld 10800.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 54000.00	4 Social security tax withheld 3348.00
				5 Medicare wages and tips 54000.00	6 Medicare tax withheld 783.00
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-67-8901				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial ALFREDO R		Last name MARANO		11 Nonqualified plans	12a See instructions for box 12 c o d e
123 MAPLE ST. BALTIMORE, MD 21201				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b c o d e
				14 Other	12c c o d e
					12d c o d e
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

In this example, the preparer erroneously reported Social Security wages and taxes instead of only reporting Medicare wages and taxes. The preparer also used the wrong middle initial in box e.

CORRECT vs. INCORRECT REPORTING - Medicare Wages and Taxes

Tae-Jin Kim is an employee subject to full-FICA. The name was reported exactly as shown on the Social Security card. Mr. Kim's total wages exceed the Social Security wage limit for TY 2004 of \$87,900. His Social Security tax withheld was \$5,449.80 (6.2 percent of \$87,900.)

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008			
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 136000.00		2 Federal income tax withheld 27200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 87900.00		4 Social security tax withheld 5449.80	
				5 Medicare wages and tips 136000.00		6 Medicare tax withheld 1972.00	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-89-0123				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial TAE-JIN		Last name KIM		11 Nonqualified plans		12a See instructions for box 12 c o d e	
567 EASTERN AVE. BALTIMORE, MD 21201				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				14 Other		12c c o d e	
						12d c o d e	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2**
Wage and Tax
Statement
Copy A For Social Security Administration-Send this entire
page with Form W-3 to the Social Security Administration;
photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The following W-2 for Tae-Jin Kim is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008			
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 136000.00		2 Federal income tax withheld 27200.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 87900.00		4 Social security tax withheld 5449.80	
				5 Medicare wages and tips 87900.00		6 Medicare tax withheld 1274.55	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-89-0123				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial KIM		Last name TAE-JIN		11 Nonqualified plans		12a See instructions for box 12 c o d e	
567 EASTERN AVE. BALTIMORE, MD 21201				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				14 Other		12c c o d e	
						12d c o d e	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2**
Wage and Tax
Statement
Copy A For Social Security Administration-Send this entire
page with Form W-3 to the Social Security Administration;
photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer failed to recognize that the Medicare wage base differs from the Social Security wage base. The preparer inserted the Social Security wage base figure in the Medicare wages and tips box and calculated the Medicare tax amount based on the Social Security wage base figure. The preparer also erred by transposing the employee's first and last name in box e.

CORRECT vs. INCORRECT REPORTING - FICA Exempt Wages and Taxes

Mary V. Smith is an employee subject to Federal income taxes only.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 56000.00	2 Federal income tax withheld 11200.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages	4 Social security tax withheld
				5 Medicare wages and tips	6 Medicare tax withheld
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-23-4567				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial MARY V.		Last name SMITH		11 Nonqualified plans	12a See instructions for box 12 c o d e
1205 TOWER ST. BALTIMORE, MD 21201				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b c o d e
				14 Other	12c c o d e
					12d c o d e
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.Copy A For Social Security Administration - Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.

Cat. No. 10134D

The following W-2 for Mary V. Smith is incorrect. Please review these common errors and the discussion on these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 56000.00	2 Federal income tax withheld 11200.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 56000.00	4 Social security tax withheld 3472.00
				5 Medicare wages and tips 56000.00	6 Medicare tax withheld 812.00
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-23-4567				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial MARY V.		Last name SMITH		11 Nonqualified plans	12a See instructions for box 12 c o d e
1205 TOWER ST. BALTIMORE, MD 21201				Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b c o d e
				14 Other	12c c o d e
					12d c o d e
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.Copy A For Social Security Administration - Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.In this example the preparer erroneously reported Social Security and Medicare wages and taxes instead of only wages, tips and other
compensation and Federal income tax withheld. Mary V. Smith is a FICA-Exempt employee.

CORRECT vs. INCORECT REPORTING - Group-Term Life Insurance (GTLI) Over \$50,000

Thomas J. Mason is a 45 year old employee subject to full-FICA with TY 2004 wages of \$50,000. His insurance coverage is \$150,000. He contributes \$30 for coverage. The taxable income is calculated as follows: \$150,000 coverage less IRS limit of \$50,000 = \$100,000. Compute the cost per thousand, $100,000/1,000 = 100$. Multiply that amount by factor listed in IRS Publication 525, $(100 \times 0.15) = \$15$ per month. Yearly cost $(\$15 \times 12) = \180 less employee costs of \$30 $(\$180 - \$30) = \$150$ taxable income. Complete box 12a with code C.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 50150.00		2 Federal income tax withheld 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 50150.00		4 Social security tax withheld 3109.30	
				5 Medicare wages and tips 50150.00		6 Medicare tax withheld 727.18	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-78-9012				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial THOMAS J.		Last name MASON		11 Nonqualified plans		12a See instructions for box 12 C 150	
911 BANK ST. BALTIMORE, MD 21224				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and Zip code							
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Wage and Tax
Statement
Copy A For Social Security Administration-Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The following W-2 for Thomas J. Mason is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 50000.00		2 Federal income tax withheld 10000.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 50000.00		4 Social security tax withheld 3100.00	
				5 Medicare wages and tips 50000.00		6 Medicare tax withheld 725.00	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-78-9012				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial THOMAS J.		Last name MASON		11 Nonqualified plans		12a See instructions for box 12 C 150	
911 BANK ST. BALTIMORE, MD 21224				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and Zip code							
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Wage and Tax
Statement
Copy A For Social Security Administration-Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer failed to include the benefit amount of GTLI over \$50,000 in the FICA wages and in the wages, tips, other compensation. The preparer also failed to withhold the FICA taxes for the cost of GTLI over \$50,000. GTLI over \$50,000 is reportable as wages in boxes 1, 3 and 5. It is also subject to Social Security and Medicare withholding taxes (boxes 4 and 6) but it is not subject to Federal income tax withholding (box 2). The preparer also failed to disclose the GTLI in box 12 ("code C" is used for GTLI) of the Form W-2.

CORRECT vs. INCORRECT REPORTING - GTLI

Samuel L. Johnson is a 58 year old retired employee who elected to continue his GTLI coverage of \$125,000 through Cabot Cove. His former employer paid all premium costs. The taxable income is calculated as: \$125,000 less IRS limit of \$50,000 = \$75,000. Compute cost per thousand, 75,000/1,000 = 75. Multiply that amount by factor listed in IRS Publication 525, (75 x 0.43) = \$32.25 per month. Yearly cost (\$32.25 x 12) = \$387 taxable income.

As this employee is retired, no Social Security or Medicare tax is withheld from the employee's pay but the employer does pay the employer's portion of the Social Security and Medicare taxes. Box 12 is completed with code C for \$387. Also entered in box 12 are: code M for Social Security tax (\$387 x .062) = \$23.99 and code N for Medicare tax (\$387 x .0145) = \$5.61 not withheld from the employee on GTLI. This adjustment is also reflected on Line 9 of the fourth quarter Form 941.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 387.00	2 Federal income tax withheld	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 387.00	4 Social security tax withheld	
				5 Medicare wages and tips 387.00	6 Medicare tax withheld	
				7 Social Security tips	8 Allocated tips	
d Employee's social security number 000-21-0987				9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial SAMUEL L.		Last name JOHNSON		11 Nonqualified plans	12a See instructions for box 12 code C 387.00	
1122 CHERRY LANDE RD SEVERN, MD 21144				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b code M 23.99	
				14 Other	12c code N 5.61	
					12d	
					f Employee's address and Zip code	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2** Wage and Tax Statement
Copy A For Social Security Administration - Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The following W-2 for Samuel L. Johnson is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 387.00	2 Federal income tax withheld 135.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages	4 Social security tax withheld	
				5 Medicare wages and tips	6 Medicare tax withheld	
				7 Social Security tips	8 Allocated tips	
d Employee's social security number 000-21-0987				9 Advance EIC payment	10 Dependent care benefits	
e Employee's first name and initial SAMUEL L.		Last name JOHNSON		11 Nonqualified plans	12a See instructions for box 12 code C	
1122 CHERRY LANDE RD SEVERN, MD 21144				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b code M	
				14 Other	12c code N	
					12d	
					f Employee's address and Zip code	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2** Wage and Tax Statement
Copy A For Social Security Administration - Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

In this example, the preparer failed to (1) report the GTLI as Social Security and Medicare wages and (2) disclose the GTLI (using "code C") and uncollected Social Security and Medicare taxes (using "codes M and N" respectively). In addition, the preparer erroneously reported Federal income tax withheld (reported in box 2).

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay

Jose Schaeffer is an employee subject to full-FICA. He was actively employed as a bus driver until May 2004 when he was injured in an automobile accident. From June 1 until the end of the tax year Mr. Schaeffer received sick pay from the ACME Insurance Company (EIN 00-7654321). ACME did not pay the employer's portion of FICA nor assume responsibility for reporting sick pay wages on behalf of the employer. Therefore, Cabot Cove is responsible for issuing the Form W-2 to Mr. Schaeffer. Cabot Cove received the following annual benefit notification from ACME on January 9, 2005:

ACME Insurance Company
Statement of Benefit Payments for Jose Schaeffer (000-78-9012)
Tax Year 2004

Portion of benefit plan funded by employer	60 percent
Total benefit payments received for TY 2004	18,666.67
Benefit payments received for first 6 months (Social Security and Medicare taxable)	16,000.00
Benefit payments received after 6 months (not Social Security and Medicare taxable)	2,666.67
Acme withheld the following taxes from the sick pay remitted to Jose Schaeffer:	
Federal income taxes withheld	2,240.00
Social Security taxes withheld	595.20
Medicare taxes withheld	139.20

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 27383.00		2 Federal income tax withheld 5476.60	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 25783.00		4 Social security tax withheld 1598.55	
				5 Medicare wages and tips 25783.00		6 Medicare tax withheld 373.85	
				7 Social Security tips		8 Allocated tips	
				9 Advance EIC payment		10 Dependent care benefits	
d Employee's social security number 000-78-9012				11 Nonqualified plans		12a See instructions for box 12 Code J 7466.67	
e Employee's first name and initial JOSE		Last name SCHAEFFER		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>		12b Code 7466.67	
901 AIRY WAY BALTIMORE, MD 21201				14 Other SK PAY - Acme Ins. Co.		12c Code	
						12d Code	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration - Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.

See Quarterly Payroll Registers for information on calculation of taxable sick pay for Jose Schaeffer. Box 12, Code J is required for the portion of sick pay that is not taxable (18,666.67 x 40%). The employer marks box 13 for Third-party sick pay and box 14 indicates the name of the third-party sick pay provider.

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay (Con't)

The following W-2 for Jose Schaeffer is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 34849.67		2 Federal income tax withheld 6969.93	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 34849.67		4 Social security tax withheld 2160.68	
				5 Medicare wages and tips 34849.67		6 Medicare tax withheld 505.32	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-78-9012				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial JOSE		Last name SCHAEFFER		11 Nonqualified plans		12a See instructions for box 12 c o d e	
901 AIRY WAY BALTIMORE, MD 21201				13 Statutory employee Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				14 Other		12c c o d e	
						12d c o d e	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2** Wage and Tax Statement **2004** Department of the Treasury-Internal Revenue Service
 Copy A For Social Security Administration - Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.
 For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The W-2 above is incorrect because the employer failed to recognize that (1) only sick payments received in the first 6 months are FICA taxable and (2) only the sick payments that relate to the percentage of the premium cost borne by Cabot Cove Schools are FICA taxable. This resulted in a failure to disclose in box 12 the non-taxable portion of the sick payments (representing the 40 percent employee contribution to the sick pay plan). In box 13, the third-party sick pay box should be checked. The name of the third-party sick pay provider should be included in box 14. The correct Social Security and Medicare tax calculations (and the respective amounts for each wage type) are shown below.

Social Security/Medicare wages

(Wages paid [\$16,183]) + (60% of Sick Payments received in first 6 months [.6 x \$16,000]) = \$25,783.

Social Security Tax Withheld

(Social Security Wages [box 3, \$25,783]) x 6.2% = \$1,598.55.

Medicare Tax Withheld

(Medicare Wages [box 5, \$25,783]) x 1.45% = \$373.85.

Wages, Tips and Other Compensation

(Wages paid [\$16,183]) + (60% of Sick Payments received [.6 x \$18,666.67]) = \$27,383.

Box 12 (Code J)

40% x Sick Payments received (\$18,666.67) = \$7,466.67.

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay Recap

Because Acme is required to report payments for disability or sickness made to employees on IRS Form 941 (Employer's Quarterly Federal Tax Return), to ensure that both IRS and SSA records are in balance, Acme must send SSA a "RECAP" W-2 showing the amount of sick pay given to Mr. Schaeffer. Should Acme neglect to prepare a "RECAP" W-2, their 941's will not agree with their W-2s. Failure to file a RECAP W-2 is a contributing factor to the SSA/IRS reconciliation process, which creates a tremendous workload for employers and the Federal Government. PLEASE NOTE: "RECAP" W-2s and their accompanying Form W-3 must not be filed on magnetic media - use only paper forms. Acme's "RECAP" W-2 should look like the following example:

The amounts in box 4 and box 6 represent monies withheld from the employee's sick pay by Acme. Cabot Cove paid the employer matching portion of these taxes. The combined amount of boxes 4 and 6 should equal the cumulative amount subtracted on Cabot Cove's Form 941, line 9 sick pay.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-7654321			1 Wages, tips, other compensation 18666.67		2 Federal income tax withheld 2240.00
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162			3 Social security wages 9600.00		4 Social security tax withheld 595.20
			5 Medicare wages and tips 9600.00		6 Medicare tax withheld 139.20
			7 Social Security tips		8 Allocated tips
d Employee's social security number			9 Advance EIC payment		10 Dependent care benefits
e Employee's first name and initial		Last name		11 Nonqualified plans	
"THIRD PARTY SICK PAY RECAP"				12a See instructions for box 12 c o d e	
				12b c o d e	
				12c c o d e	
				12d c o d e	
f Employee's address and Zip code			13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
14 Other					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2** Wage and Tax Statement **2004** Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

a Control number		33333	For Official Use Only OMB No. 1545-0008		
b Kind of Payer	941 <input checked="" type="checkbox"/>	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation 18666.67	2 Federal income tax withheld 2240.00
	CT-1 <input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	3 Social security wages 9600.00	4 Social security tax withheld 595.20
			Third-party sick pay <input checked="" type="checkbox"/>	5 Medicare wages and tips 9600.00	6 Medicare tax withheld 139.20
c Total number of forms W-2		d Establishment number		7 Social security tips	8 Allocated tips
1				9 Advance EIC payments	10 Dependent care benefits
e Employer identification number 00-7654321		f Employer's name ACME INSURANCE COMPANY ROAD RUNNER AVENUE COYOTE, MD 21162		11 Nonqualified plans	12 Deferred compensation
g Employer's address and ZIP code		13 For third-party sick pay use only THIRD-PARTY SICK PAY RECAP		14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State		Employer's state ID number		16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person		Telephone number ()		For Official Use Only	
E-mail address		Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature _____ Title _____ Date _____

Form **W-3** Transmittal of Wage and Tax Statements **2004** Department of the Treasury
Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Internal Revenue Service
Photocopies are not acceptable.
Do not send any payment (cash, money orders, etc.) with Forms W-2 and W-3.

CORRECT vs. INCORRECT REPORTING - Third-Party Sick Pay, Liability Not Transferred

Lois Germaine Sheppard is an employee subject to full-FICA. She was actively employed as a school crossing guard until November 30, 2004 when she slipped on some ice and broke her leg. From December 1 until the end of the tax year she received sick pay from the ACME Insurance Company. Cabot Cove paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME paid Ms. Sheppard \$2,000 in sick pay and assumed responsibility for paying Cabot Cove's share of FICA taxes and reporting the sick pay wages.

Correct W-2 Form from Cabot Cove Schools

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation 25172.00		2 Federal income tax withheld 5034.40	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages 25172.00		4 Social security tax withheld 1560.66	
		5 Medicare wages and tips 25172.00		6 Medicare tax withheld 364.99	
		7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-90-1234		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial LOIS G		Last name SHEPPARD		11 Nonqualified plans	
		12a See instructions for box 12 c o d e			
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b c o d e	
		14 Other		12c c o d e	
				12d c o d e	
f Employee's address and Zip code 945 BOWSER ST. BALTIMORE, MD 21201					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Ms. Sheppard's W-2 from Acme Insurance Company should look like the following:

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-7654321		1 Wages, tips, other compensation 2000.00		2 Federal income tax withheld 400.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162		3 Social security wages 2000.00		4 Social security tax withheld 124.00	
		5 Medicare wages and tips 2000.00		6 Medicare tax withheld 29.00	
		7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-90-1234		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial LOIS G		Last name SHEPPARD		11 Nonqualified plans	
		12a See instructions for box 12 c o d e			
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input checked="" type="checkbox"/>		12b c o d e	
		14 Other Sick Pay Furnished under an Agency Agreement with Your Employer		12c c o d e	
				12d c o d e	
f Employee's address and Zip code 945 BOWSER ST. BALTIMORE, MD 21201					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Wage and Tax
Statement**2004**Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.Copy A For Social Security Administration-Send this
entire page with Form W-3 to the Social Security
Administration: photocopies are not acceptable.

Correct vs. Incorrect Reporting - Third-Party Sick Pay Liability Not Transferred

The following Form W-2 illustrates a common mistake made by third-party insurers. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008			
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 2000.00		2 Federal income tax withheld 400.00	
c Employer's name, address, and ZIP code ACME INSURANCE COMPANY ROAD RUNNER AVE. COYOTE, MD 21162				3 Social security wages 2000.00		4 Social Security tax withheld 124.00	
				5 Medicare wages and tips 2000.00		6 Medicare tax withheld 29.00	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-90-1234				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial LOIS G		Last name SHEPPARD		11 Nonqualified plans		12a See instructions for box 12 c o d e	
945 BOWSER ST. BALTIMORE, MD 21201				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input checked="" type="checkbox"/>		12b c o d e	
				14 Other Sick Pay furnished under an Agency agreement with your employer		12c c o d e	
						12d c o d e	
f Employee's address and Zip code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name	

Form **W-2**
Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction

Act Notice, see back of Copy D.

Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Cat. No. 10134D

The W-2 above is incorrect because the third-party payer used the employer's EIN instead of their own when reporting. This will cause the Form 941 for both the third-party and the employer to be out of balance with their respective W-2/W-3 submissions.

CORRECT vs. INCORRECT - Nonqualified Deferred Compensation

Cabot Cove contributes 2 percent of Nicole Craig's salary to a nonqualified deferred compensation plan (NQDCP) under a salary reduction agreement. Nicole is not entitled to the total deferred amount under the NQDCP until retirement.

Nicole retired June 30, 2004 at age 55 and earned \$30,000 in salary up to that point.

Cabot Cove deferred \$600 of Nicole's wages for NQDCP in 2004; Cabot Cove's aggregate contribution to Nicoles NQDCP was \$50,600.

Upon retirement, Nicole receives \$1,500/month from the NQDCP and withdraws a total of \$9,000 from the plan in TY 2004.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008							
b Employer Identification number 00-5678910				1 Wages, tips, other compensation 29400.00		2 Federal income tax withheld 5880.00							
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 80000.00		4 Social security tax withheld 4960.00							
				5 Medicare wages and tips 80000.00		6 Medicare tax withheld 1160.00							
				7 Social Security tips		8 Allocated tips							
d Employee's social security number 000-54-3210				9 Advance EIC payment		10 Dependent care benefits							
e Employee's first name and initial NICOLE		Last name CRAIG		11 Nonqualified plans 50000		12a See instructions for box 12 c o d e G 600.00							
657 JOE RD. BALTIMORE, MD 21202				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e							
				14 Other		12c c o d e							
						12d c o d e \$							
f Employee's address and Zip code													
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.		19 Local income tax		20 Locality name	

Wage and Tax

2004

Department of the Treasury-Internal Revenue Service

Form

W-2

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.Copy A For Social Security Administration- Send this
entire page with Form W-3 to the Social Security
Administration; photocopies are not acceptable.

Cat. No. 10134D

Do not Cut, Fold, or Staple Forms on This Page - Do Not Cut, Fold, or Staple Forms on This Page.

CORRECT vs. INCORRECT - Nonqualified Deferred Compensation

The following W-2 for Nicole Craig is incorrect. Please review these errors and the discussion of these errors below the W-2

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-5678910		1 Wages, tips, other compensation 39000.00		2 Federal income tax withheld 7800.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		3 Social security wages 80600.00		4 Social security tax withheld 4997.20	
		5 Medicare wages and tips 80600.00		6 Medicare tax withheld 1168.70	
		7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-54-3210		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial NICOLE		Last name CRAIG		11 Nonqualified plans	
657 JOE RD BALTIMORE, MD 21202		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e	
		14 Other		12b c o d e	
				12c c o d e	
f Employee's address and Zip code				12d c o d e	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
				20 Locality name	

Form **W-2** Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Copy A For Social Security Administration

The W-2 above is incorrect because:

Box 1 - Current year wages of \$30,000 should be reduced by the current year deferral of \$600 but should not include the \$9,000 in NQDCP distributions. (Note: Cabot Cove is a governmental entity and must report post-2001 NQDCP distributions to its former employee on IRS Form 1099-R.)

Boxes 3 and 5 - Social Security and Medicare wages should include prior (\$50,000) and current year (\$600) deferrals that are recognized for Social Security and Medicare tax purposes during 2004.

Box 11 - The prior year deferral of \$50,000 recognized and reported in boxes 3 and 5 should also be reported in box 11. The current year deferral of \$600 that is properly reported in boxes 3 and 5 is not reported in box 11. (As noted above, Cabot Cove must report post-2001 NQDCP distributions on IRS Form 1099-R. Accordingly, Cabot Cove needs to make only one entry in box 11. If Cabot Cove had been a nongovernmental entity, no amount would have been reported in box 11 because deferrals (\$50,000) and distributions (\$9,000) occurred in the same year and only one entry is allowed in box 11.)

Box 12 - The \$600 current year income tax deferral should be reported in box 12 using Code G.

Box 13 - The "Retirement Plan" box is inappropriately checked. This box should not be checked for contributions made to a nonqualified or section 457 plan.

Calculations for boxes 1, 3 and 5 are as follows:

Current year wages	30,000.00
Less Current year NQDCP deferral	600.00
Total Reported in box 1	29,400.00
Plus prior year NQDCP deferral	50,000.00
Plus Current year NQDCP deferral	600.00
Total Reported in boxes 3 & 5	80,000.00

SPLIT REPORTING OPTION - REPORTING AN EMPLOYEE TYPE OF EMPLOYMENT CHANGE

Effective July 1, 2004, John R. McNamara's work became covered for full-FICA instead of Medicare-only coverage earlier in the year. The following Forms W-2 and W-3 illustrate split reporting for Mr. McNamara by Cabot Cove.

Form W-2 for MQGE wages from January 1, 2004 to June 30, 2004

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910				1 Wages, tips, other compensation 30250.00		2 Federal income tax withheld 6050.00	
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages		4 Social security tax withheld	
				5 Medicare wages and tips 30250.00		6 Medicare tax withheld 438.62	
				7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-45-6789				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial JOHN R		Last name McNAMARA		11 Nonqualified plans		12a See instructions for box 12 c o d e	
800 CLARK RD. SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
				14 Other		12c c o d e	
						12d c o d e	
f Employee's address and Zip code							
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2** Wage and Tax
Copy A For Social Security Administration Statement

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

Form W-3 for MQGE Wages

a Control number		33333		For Official Use Only OMB No. 1545-0008			
b Kind of Payer		941 Military 943 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> CT-1 Hshld Medicare Third-party <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> emp. govt. emp. sick pay		1 Wages, tips, other compensation 30250.00		2 Federal income tax withheld 6050.00	
c Total number of forms W-2 1		d Establishment number		3 Social security wages		4 Social security tax withheld	
e Employer identification number 00-5678910				5 Medicare wages and tips 30250.00		6 Medicare tax withheld 438.62	
f Employer's name CABOT COVE SCHOOLS				7 Social security tips		8 Allocated tips	
123 EDUCATION WAY BALTIMORE, MD 21201				9 Advance EIC payments		10 Dependent care benefits	
				11 Nonqualified plans		12 Deferred compensation	
				13 For third-party sick pay use only			
g Employer's address and ZIP code				14 Income tax withheld by payer of third-party sick pay			
h Other EIN used this year							
15 State	Employer's state ID number		16 State wages, tips, etc.		17 State income tax		
				18 Local wages, tips, etc.		19 Local income tax	
Contact person				Telephone number ()		For Official Use Only	
E-mail address				Fax number ()			

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete

Signature

Title

Date

Form **W-3**

Transmittal of Wage and Tax Statements

2004

Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

SPLIT REPORTING OPTION - (Cont'd)

Wages paid July 1, 2004 to December 31, 2004 subject to full FICA tax.

Form W-2 for wages subject to full FICA (from July 1, 2004 to December 31, 2004)

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910				1 Wages, tips, other compensation 30250.00	2 Federal income tax withheld 6050.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 30250.00	4 Social security tax withheld 1875.50
				5 Medicare wages and tips 30250.00	6 Medicare tax withheld 438.62
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-45-6789				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial JOHN R		Last name McNAMARA		11 Nonqualified plans	12a See instructions for box 12 c o d e
800 CLARK RD. SEVERN, MD 21144		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	12c c o d e 12d c o d e
		14 Other			
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2** Wage and Tax
Copy A For Social Security Administration Statement**2004**

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.**Form W-3 for Wages subject to full FICA**

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 <input checked="" type="checkbox"/> Military <input type="checkbox"/> 943 <input type="checkbox"/> CT-1 <input type="checkbox"/> Hshld emp <input type="checkbox"/> Medicare govt. emp <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		1 Wages, tips, other compensation 30250.00		2 Federal income tax withheld 6050.00
c Total number of forms W-2 1		d Establishment number		3 Social security wages 30250.00
e Employer identification number 00-5678910		5 Medicare wages and tips 30250.00		4 Social security tax withheld 1875.00
f Employer's name CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201		7 Social security tips		6 Medicare tax withheld 438.62
g Employer's address and ZIP code		9 Advance EIC payments		8 Allocated tips
h Other EIN used this year		11 Nonqualified plans		10 Dependent care benefits
		12 Deferred compensation		
		13 For third-party sick pay use only		
		14 Income tax withheld by payer of third-party sick pay		
15 State		Employer's state ID number		16 State wages, tips, etc.
				17 State income tax
				18 Local wages, tips, etc.
				19 Local income tax
Contact person		Telephone number ()		For Official Use Only
E-mail address		Fax number ()		

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3** Transmittal of Wage and Tax Statements **2004**
Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.Department of the Treasury
Internal Revenue Service

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

OPTIONAL COMBINED REPORTING

The following Form W-3 and W-2 (Copy A) illustrate optional combined reporting for John R. McNamara.

Form W-2

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-5678910				1 Wages, tips, other compensation 60500.00	2 Federal income tax withheld 12100.00
c Employer's name, address, and ZIP code CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201				3 Social security wages 30250.00	4 Social security tax withheld 1875.50
				5 Medicare wages and tips 60500.00	6 Medicare tax withheld 877.25
				7 Social Security tips	8 Allocated tips
d Employee's social security number 000-45-6789				9 Advance EIC payment	10 Dependent care benefits
e Employee's first name and initial JOHN R		Last name McNAMARA		11 Nonqualified plans	12a See instructions for box 12 c o d e
800 CLARK RD. SEVERN, MD 21144				13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	12b c o d e
				14 Other	12c c o d e
					12d c o d e
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Wage and Tax

2004

Department of the Treasury-Internal Revenue Service

Form **W-2**
Copy A For Social Security Administration

Statement

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.**Form W-3 for Combined Reporting**

a Control number		33333	For Official Use Only OMB No. 1545-0008	
b Kind of Payer 941 <input checked="" type="checkbox"/> CT-1 942 <input type="checkbox"/> Hshld emp 943 <input type="checkbox"/> Military 944 <input type="checkbox"/> Medicare govt. emp 945 <input type="checkbox"/> Third-party sick pay			1 Wages, tips, other compensation 60500.00	2 Federal income tax withheld 12100.00
c Total number of forms W-2 1			3 Social security wages 30250.00	4 Social security tax withheld 1875.50
d Establishment number			5 Medicare wages and tips 60500.00	6 Medicare tax withheld 877.25
e Employer identification number 00-5678910			7 Social security tips	8 Allocated tips
f Employer's name CABOT COVE SCHOOL			9 Advance EIC payments	10 Dependent care benefits
123 EDUCATION WAY BALTIMORE, MD 21201			11 Nonqualified plans	12 Deferred compensation
			13 For third-party sick pay use only	
g Employer's address and ZIP code			14 Income tax withheld by payer of third-party sick pay	
h Other EIN used this year				
15 State			16 State wages, tips, etc.	17 State income tax
Employer's state ID number			18 Local wages, tips, etc.	19 Local income tax
Contact person			Telephone number ()	For Official Use Only
E-mail address			Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3**

Transmittal of Wage and Tax Statements

2004Department of the Treasury
Internal Revenue ServiceSend this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Part III: Wiremasters Company Case Scenario

Special Reporting Situations

Forms W-2, W-3, and 941

Part III provides examples of proper paper reporting to help employers understand and comply with SSA/IRS guidelines. This Part illustrates general guidelines for private employers filing paper Forms W-2, W-3, 941 and 943. Included are examples which reflect special reporting situations such as: 1) deferred compensation; 2) advance EIC; 3) tax shelter contributions to 401(k) plans; 4) fringe benefits; and 5) allocated tips. Specific filing instructions are available in the instructions for filing Forms W-2, W-3, and 941 as well as IRS Publication 15, Circular E, Employers Tax Guide, and IRS Publication 15-A, Employer's Supplemental Tax Guide. IRS forms and publications are available at www.irs.gov or by calling 1-800-829-3676.

This section contains four quarterly (and one annual “mock-up”) IRS Forms 941, one Form W-3, and five Forms W-2 from the Wiremasters Company. This information illustrates how:

- Wiremasters reported its quarterly payroll and tax deposit data to IRS;
- The annual sum of Wiremasters' quarterly Form 941 data should agree with its W-3 data for the same calendar year; and
- Wiremasters' W-3 data agrees with employees' W-2 data.

Case Scenario

The following case scenario illustrates how Wiremasters Company, a private employer, reports its wage and tax deposit data on the Forms W-2, W-3 and 941. In the examples which follow, Wiremasters employed five individuals who have been affected by at least one of the special reporting situations (defined above). The scenario consists of: Payroll Register Data Tables; Employer Wage and Tax Deposit Data (Forms 941), and Employee Wage and Tax Statements (Forms W-3 and W-2).

Wiremasters annual Form 941 mock-up (page 102) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the four quarterly Forms 941 (pages 103 through 106), (2) the Form W-3 Wiremasters submitted to SSA (page 107) and (3) the five Forms W-2 Wiremasters issued (pages 108 through 112).

Exhibits: Payroll Register Data Tables

The following exhibits are data tables of information from Wiremasters' payroll register. This information provides the base data for the case scenario. Wiremasters employs individuals who earn wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (full-FICA employees).

Wiremasters' EIN is 00-0198765. The information in the exhibit below contains summary employee information from Wiremasters' payroll register.

**Summary Employee Information
Wiremasters**

<u>Name (first, middle, last)</u>	<u>Name as shown on Social Security Card</u>	<u>SSN</u>
Edward Eric McNamara	Edward E. McNamara	000-67-4589
Sandra Spencer	Sandra Spencer	000-78-5690
Randolph Marano	Randolph Marano	000-89-6701
Junghee Kim	Junghee Kim	000-01-8923
Dominique Dana Johnson	Dominique D. Johnson	000-50-3210

FIRST QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		390.00			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1750.00	17,668.00	3,533.60	19418.00	1203.92	19418.00	281.56
First Quarter Total		64,030.00	1,125.00	390.00	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

SECOND QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		390.00			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19418.00	1,203.92	19418.00	281.56
Second Quarter Total		64,030.00	1,125.00	390.00	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.03	68,323.00	990.68

*Sandra Spencer - \$5,000/4 = \$1,250 quarterly 401(k) contributions.

*Randolph Marano - \$1,560/4 = \$390 quarterly advanced EIC.

*Dominique D. Johnson - \$7,000/4 = \$1,750 quarterly 401(k) contributions; \$522/4 = \$130.50 quarterly GTL amounts; and \$150/4 = \$37.50 quarterly fringe benefit amounts.

THIRD QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00					19,225.00	3,845.00	19,225.00	1,191.95	19,225.00	278.76
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.56
Randolph Marano 000-89-6701	FICA Active	3,055.00		390.00			3,055.00	611.00	3,055.00	189.41	3,055.00	44.30
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19,418.00	1,203.91	19,418.00	281.56
Third Quarter Total		64,030.00	1,125.00	390.00	168.00	3,000.00	65,323.00	13,064.60	68,323.00	4,236.02	68,323.00	990.68

FOURTH QUARTER EMPLOYEE PAYROLL DATA
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active	19,225.00		3,100.00			19,225.00	3,845.00	22,325.00	1,384.15	22,325.00	323.71
Sandra Spencer 000-78-5690	FICA Active	11,250.00	1,125.00			1,250.00	12,375.00	2,475.00	13,625.00	844.75	13,625.00	197.57
Randolph Marano 000-89-6701	FICA Active	3,055.00		390.00			3,055.00	611.00	3,055.00	189.41	3,055.00	44.29
Junghee Kim 000-01-8923	FICA Active	13,000.00					13,000.00	2,600.00	13,000.00	806.00	13,000.00	188.50
Dominique D. Johnson 000-50-3210	FICA Active	17,500.00			168.00	1,750.00	17,668.00	3,533.60	19,418.00	1,203.91	19,418.00	281.56
Fourth Quarter Total		64,030.00	1,125.00	3,490.00	168.00	3,000.00	65,323.00	13,064.60	71,423.00	4,428.22	71,423.00	1,035.64

*Sandra Spencer - \$5,000/4 = \$1,250 quarterly 401(k) contributions.

*Randolph Marano - \$1,560/4 = \$390 quarterly advanced EIC.

*Dominique D. Johnson - \$7,000/4 = \$1,750 quarterly 401(k) contributions. \$522/4 = \$130.50 quarterly GTLI amounts and \$150/4 = \$37.50 quarterly fringe benefit amounts.

*Edward E. McNamara- \$3,100 = Paid \$3,100 in accrued wages in same year employee died. Included in Social Security and Medicare wages but not Federal Taxable wages (box 1).

PAYROLL REGISTER ANNUAL SUMMARY
WIREMASTERS COMPANY PAYROLL REGISTER

Employee's Name and SSN	Employment Type/Status	Regular Wages	Un- allocated Tips	Misc. Wages	Taxable Misc. Wages	FICA Misc. Wages	Total Taxable Wages	Fed. Income Tax Withheld	Social Security		Medicare	
									Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Edward E. McNamara 000-67-4589	FICA Active-Deceased	76,900.00	0.00	3,100.00		0.00	76,900.00	15,380.00	80,000.00	4,960.00	80,000.00	1,160.00
Sandra Spencer 000-78-5690	FICA Active	45,000.00	4,500.00	0.00		0.00	49,500.00	9,900.00	54,500.00	3,379.00	54,500.00	790.25
Randolph Marano 000-89-6701	FICA Active	12,220.00	0.00	1,560.00 Advance EIC		0.00	12,220.00	2,444.00	12,220.00	757.64	12,220.00	177.19
Junghee Kim 000-01-8923	FICA Active	52,000.00	0.00	0.00		0.00	52,000.00	10,400.00	52,000.00	3,224.00	52,000.00	754.00
Dominique D. Johnson 000-50-3210	FICA Active	70,000.00	0.00	0.00	672.00	7,000.00	70,672.00	14,134.40	77,672.00	4,815.66	77,672.00	1,126.24
Annual Grand Total		256,120.00	4,500.00	4,660.00	672.00	12,000.00	261,292.00	52,258.40	276,392.00	17,136.30	276,392.00	4,007.68

*Edward E. McNamara - \$3,100 represents payment of accrued wages after death but paid in the same year as death.

*Sandra Spencer - \$5,000 contributed to a 401(k) plan; unallocated and allocated tips also reported.

*Randolph Marano - Part-time worker who received advanced EIC of \$1,560.

*Dominique D. Johnson - \$7,000 contributed to her SIMPLE 401(k) plan, reported excess GTLI of \$522 and fringe benefits of \$150.

Form **941**(Rev. January 2004)
Department of the Treasury
Internal Revenue Service (99)**Annual Mock-up, Form 941**
Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right
(see page
2 of
instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

Trade name, if any

Employer identification number

00-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you do not have to file returns in the future, check here ☐ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐**1** Number of employees in the pay period that includes March 12th ▶ **1** **5****2** Total wages and tips, plus other compensation**2** 261292 00**3** Total income tax withheld from wages, tips, and sick pay**3** 52258 40**4** Adjustment of withheld income tax for preceding quarters of **this calendar year****4****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4)**5** 52258 40**6** Taxable social security wages**6a** 271892 00 X12.4%(.124) =**6b** 33714 61

Taxable social security tips

6c 4500 00 X12.4%(.124) =**6d** 558 00**7** Taxable Medicare wages and tips**7a** 276392 00 X 2.9%(.029) =**7b** 8015 37**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐**8** 42287 98**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =

9**10** Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)**10** 42287 98**11** **Total taxes** (add lines 5 and 10)**11** 94546 38**12** Advance earned income credit (EIC) payments made to employees (see instructions).**12** 1560 00**13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below or line D of Schedule B (Form 941)).****13** 92986 38**14** Total deposits for quarter, including overpayment applied from a prior quarter**14** 92986 38**15** **Balance due** (subtract line 14 from line 13). See instructions**15****16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$ _____and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐**17 Monthly Summary of Federal Tax Liability.** (Complete **Schedule B (Form 941)** instead, if you are a semiweekly schedule depositor.)

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
			92986.38 for the year

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following ☐ No**Third
Party
Designee**

Designee's

Phone

Personal identification

name ▶

no. ▶ ()

number (PIN) ▶

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev.1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as WireMasters' total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)

1st Quarter

Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state

in which

deposits were

made **ONLY** if

different from

state in

address to

the right ▶ ☐

(see page

2 of

instructions).

If address is

different

from prior

return, check

here ▶ ☐

Name(as distinguished from trade name)

WIREMASTERS COMPANY

Trade name, if any

Address (number and street)

123 SMALL BUSINESS WAY

Date quarter ended

March 31, 2004

Employer identification number

00-0198765

City, state, and ZIP code

BALTIMORE, MD 21201

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you **do not have to file** returns in the future, check here ▶ ☐ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶ ☐**1** Number of employees in the pay period that includes March 12th ▶ **1** 5**2** Total wages and tips, plus other compensation**3** Total income tax withheld from wages, tips, and sick pay**4** Adjustment of withheld income tax for preceding quarters of **this calendar year****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4)**6** Taxable social security wages

Taxable social security tips

7 Taxable Medicare wages and tips**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ ± Fractions of Cents \$ ± Other \$ =

10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)**11** **Total taxes** (add lines 5 and 10)**12** Advance earned income credit (EIC) payments made to employees (see instructions).**13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below or line D of Schedule B (Form 941)).****14** Total deposits for quarter, including overpayment applied from a prior quarter**15** **Balance due** (subtract line 14 from line 13). See instructions**16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐**17 Monthly Summary of Federal Tax Liability.**(Complete **Schedule B (Form 941)** instead, if you are a semiweekly schedule depositor.)

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7709.34	7709.34	7709.34	23128.02

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following☐ NoThird
Party
Designee

Designee's

name ▶

Phone

no. ▶ ()

Personal identification

number (PIN) ▶

Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as WireMasters' total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)

2nd Quarter

Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right ▶ ☐
(see page
2 of
instructions).

Name(as distinguished from trade name)

Date quarter ended

WIREMASTERS COMPANY

June 30, 2004

Trade name, if any

Employer identification number

00-0198765

Address (number and street)

City, state, and ZIP code

123 SMALL BUSINESS WAY

BALTIMORE, MD 21201

If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10	10

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you do not have to file returns in the future, check here ▶ ☐ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶ ☐**1** Number of employees in the pay period that includes March 12th ▶ **1** **5****2** Total wages and tips, plus other compensation**2** 65323 00**3** Total income tax withheld from wages, tips, and sick pay**3** 13064 60**4** Adjustment of withheld income tax for preceding quarters of **this calendar year****4****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4)**5** 13064 60**6** Taxable social security wages**6a** 67198 00 X12.4%(.124) =**6b** 8332 55

Taxable social security tips

6c 1125 00 X12.4%(.124) =**6d** 139 50**7** Taxable Medicare wages and tips**7a** 68323 00 X 2.9%(.029) =**7b** 1981 37**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐**8** 10453 42**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =

9**10** Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)**10** 10453 42**11** **Total taxes** (add lines 5 and 10)**11** 23518 02**12** Advance earned income credit (EIC) payments made to employees (see instructions).**12** 390 00**13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below or line D of Schedule B (Form 941)).****13** 23128 02**14** Total deposits for quarter, including overpayment applied from a prior quarter**14** 23128 02**15** **Balance due** (subtract line 14 from line 13). See instructions**15****16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$ _____and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐**17** **Monthly Summary of Federal Tax Liabili** Do not complete if you are a semiweekly schedule depositor.

(a) First month liability

(b) Second month liability

(c) Third month liability

(d) Total liability for quarter

7709.34

7709.34

7709.34

23128.02

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ **Yes.** Complete the following☐ **No****Third
Party
Designee**Designee's
name ▶Phone
no. ▶ ()Personal identification
number (PIN) ▶**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941**

(Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as WireMasters' total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)

3rd Quarter

Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state

in which

deposits were

made **ONLY** if

different from

state in

address to

the right ▶ ☐

(see page

2 of

instructions).

If address is

different

from prior

return, check

here ▶ ☐

Name(as distinguished from trade name)

WIREMASTERS COMPANY

Trade name, if any

Address (number and street)

123 SMALL BUSINESS WAY

Date quarter ended

September 30, 2004

Employer identification number

00-0198765

City, state, and ZIP code

BALTIMORE, MD 21201

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you do not have to file returns in the future, check here ☐ and enter date final wages paid ▶B If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ☐

1 Number of employees in the pay period that includes March 12th ▶ 1 5

2 Total wages and tips, plus other compensation

2 65323 00

3 Total income tax withheld from wages, tips, and sick pay

3 13064 60

4 Adjustment of withheld income tax for preceding quarters of **this calendar year**

4

5 Adjusted total of income tax withheld (line 3 as adjusted by line 4)

5 13064 60

6 Taxable social security wages

6a 67198 00 X12.4%(.124) =

6b 8332 55

Taxable social security tips

6c 1125 00 X12.4%(.124) =

6d 139 50

7 Taxable Medicare wages and tips

7a 68323 00 X 2.9%(.029) =

7b 1981 37

8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). **Check here if wages****are not subject to social security and/or Medicare tax** ▶ ☐

8 10453 42

9 Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =

9

10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)

10 10453 42

11 **Total taxes** (add lines 5 and 10)

11 23518 02

12 Advance earned income credit (EIC) payments made to employees (see instructions)

12 390 00

13 Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below or line D of Schedule B (Form 941)).**

13 23128 02

14 Total deposits for quarter, including overpayment applied from a prior quarter

14 23128 02

15 **Balance due** (subtract line 14 from line 13). See instructions

15

16 **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$ _____and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐

17 Monthly Summary of Federal Tax Liability. Complete Schedule B (Form 941) instead, if you are a semiweekly schedule depositor.)			
(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7709.34	7709.34	7709.34	23128.02

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following☐ NoThird
Party

Designee

Designee's

name ▶

Phone

no. ▶ ()

Personal identification

number (PIN) ▶

Sign
Here

Signature ▶

Print Your

Name and Title ▶

Date ▶

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941** (Rev.1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as WireMasters' total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

Form **941**

(Rev. January 2004)

Department of the Treasury
Internal Revenue Service (99)

4th Quarter

Employer's Quarterly Federal Tax Return

▶ See separate instructions revised January 2004 for information on completing this form.

Please type or print.

Enter state

code for state
in which
deposits were
made **ONLY** if
different from
state in
address to
the right ▶ ☐
(see page
2 of
instructions).☐ Name(as distinguished from trade name)Date quarter ended ☐

WIREMASTERS COMPANY

December 31, 2004

Trade name, if any

Employer identification number

00-0198765

Address (number and street)

City, state, and ZIP code

☐ 123 SMALL BUSINESS WAYBALTIMORE, MD 21201 ☐If address is
different
from prior
return, check
here ▶ ☐

1	1	1	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	3	4	4	4	5	5	5
6	7	8	8	8	8	8	8	8	8	8	8	9	9	9	9	9	10	10	10	10	10	10	10	10

OMB No. 1545-0029

T

FF

FD

FP

I

T

A If you do not have to file returns in the future, check here ▶ and enter date final wages paid ▶**B** If you are a seasonal employer, see **Seasonal employers** on page 1 of the instructions and check here ▶**1** Number of employees in the pay period that includes March 12th ▶ ☐ 1 5**2** Total wages and tips, plus other compensation**3** Total income tax withheld from wages, tips, and sick pay**4** Adjustment of withheld income tax for preceding quarters of **this calendar year****5** Adjusted total of income tax withheld (line 3 as adjusted by line 4)**6** Taxable social security wages

Taxable social security tips

7 Taxable Medicare wages and tips**8** Total social security and Medicare taxes (add lines 6b, 6d, and 7b).**are not subject to social security and/or Medicare tax** ▶ ☐**9** Adjustment of social security and Medicare taxes (see instructions for required explanation)

Sick Pay \$ _____ ± Fractions of Cents \$ _____ ± Other \$ _____ =

10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9)**11** **Total taxes** (add lines 5 and 10)**12** Advance earned income credit (EIC) payments made to employees (see instructions).**13** Net taxes (subtract line 12 from line 11). **If \$2,500 or more, this must equal line 17,****(column (d) below or line D of Schedule B (Form 941)).****14** Total deposits for quarter, including overpayment applied from a prior quarter**15** **Balance due** (subtract line 14 from line 13). See instructions**16** **Overpayment.** If line 14 is more than line 13, enter excess here ▶ \$ _____and check if to be: ☐ Applied to next return **or** ☐ Refunded.o **All filers:** If line 13 is less than \$2,500, **do not** complete line 17 or Schedule B (Form 941).o **Semiweekly schedule depositors:** Complete Schedule B (Form 941) and check here ▶ ☒ **o **Monthly schedule depositors:** Complete line 17, columns (a) through (d) and check here ▶ ☐**17 Monthly Summary of Federal Tax Liability.** (Complete **Schedule B (Form 941)** instead, if you are a semiweekly schedule depositor.)

(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
7788.39	7867.44	7946.49	23602.32

Do you want to allow another person to discuss this return with the IRS (see separate instructions)?

☐ Yes. Complete the following☐ NoThird
Party
DesigneeDesignee's
name ▶

Phone

no. ▶ ()

Personal identification

number (PIN) ▶

Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature

Print Your

Name and Title

Date

For Privacy Act and Paperwork Reduction Act Notice, see back of Payment Voucher.

Cat. No. 17001Z

Form **941**

(Rev. 1-2004)

**Note: For ease of presentation in this publication, we completed line 17 to show that total deposits equaled the amount reported on the Form 941.

A Schedule B would be required as WireMasters' total tax liability for all four quarters in the lookback period exceeds the \$50,000 threshold.

FORM W-3 for FORMS W-2, WIREMASTERS COMPANY

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	941 <input checked="" type="checkbox"/> CT-1	Military <input type="checkbox"/>	943 <input type="checkbox"/>	1 Wages, tips, other compensation 261292.00	2 Federal income tax withheld 52258.40
	<input type="checkbox"/>	Hshld emp <input type="checkbox"/>	Medicare govt. emp. <input type="checkbox"/>	3 Social security wages 271892.00	4 Social security tax withheld 17136.30
c Total number of forms W-2 5		d Establishment number		5 Medicare wages and tips 276392.00	6 Medicare tax withheld 4007.68
e Employer identification number 00-0198765				7 Social security tips 4500.00	8 Allocated tips 3000.00
f Employer's name WIREMASTERS COMPANY				9 Advance EIC payments 1560.00	10 Dependent care benefits
g employer's address and ZIP code 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				11 Nonqualified plans	12 Deferred compensation 12000.00
				13 For Third-party sick pay use only	
				14 Income tax withheld by payer of Third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				18 Local wages, tips, etc.	19 Local income tax
Contact person John Newton				Telephone number (555) 111-2222	For Official Use Only
E-mail address				Fax number (555) 111-2223	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature

Title

Date

Form **W-3** Transmittal of Wage and Tax Statements
2004 Department of the Treasury
Internal Revenue Service

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration.
Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Edward Eric McNamara was a full-FICA employee before his untimely death on November 15, 2004. Edward received \$76,900 in wages before his death. He was also owed \$3,100 in accrued wages after death. Wiremasters paid Mr. McNamara's estate the accrued wages on November 30, 2004. Since the payment was in the same year the employee died, the amount is reported as wages in boxes 3 and 5 with the appropriate amount of Social Security and Medicare taxes withheld in boxes 4 and 6. The payment after death is **not** reported in box 1. NOTE: The after-death payment (\$3100) made to Mr. McNamara's estate or beneficiary must be reported in box 3 of the IRS Form 1099-Misc, Miscellaneous Income using the name and TIN of the payment recipient.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008							
b Employer Identification number 00-0198765				1 Wages, tips, other compensation 76900.00		2 Federal income tax withheld 15380.00							
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages 80000.00		4 Social security tax withheld 4960.00							
				5 Medicare wages and tips 80000.00		6 Medicare tax withheld 1160.00							
				7 Social Security tips		8 Allocated tips							
d Employee's social security number 000-67-4589				9 Advance EIC payment		10 Dependent care benefits							
e Employee's first name and initial EDWARD E		Last name McNAMARA		11 Nonqualified plans		12a See instructions for box 12 c o d e							
800 CLARK RD. SEVERN, MD 21144		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		c o d e							
				12c		c o d e							
				12d		c o d e							
f Employee's address and Zip code		14 Other Wages paid after death 3100.00											
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.		19 Local income tax		20 Locality name	

Wage and Tax **2004** Department of the Treasury-Internal Revenue Service
Form **W-2** Statement
Copy A For Social Security Administration For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The following W-2 for Edward Eric McNamara is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only OMB No. 1545-0008							
b Employer Identification number 00-0198765				1 Wages, tips, other compensation 80000.00		2 Federal income tax withheld 16000.00							
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201				3 Social security wages 80000.00		4 Social security tax withheld 4960.00							
				5 Medicare wages and tips 80000.00		6 Medicare tax withheld 1160.00							
				7 Social Security tips		8 Allocated tips							
d Employee's social security number 000-67-4589				9 Advance EIC payment		10 Dependent care benefits							
e Employee's first name and initial EDWARD E		Last name McNAMARA		11 Nonqualified plans		12a See instructions for box 12 c o d e							
800 CLARK RD. SEVERN, MD 21144		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		c o d e							
				12c		c o d e							
				12d		c o d e							
f Employee's address and Zip code		14 Other Wages paid after death 3100.00											
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local Wages, tips, etc.		19 Local income tax		20 Locality name	

Wage and Tax **2004** Department of the Treasury-Internal Revenue Service
Form **W-2** Statement
Copy A For Social Security Administration For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer included in box 1, the \$3100 after death payment made to Mr. McNamara's estate. The preparer appropriately included the after death payment as Social Security and Medicare wages. When an employee's estate or beneficiary is paid his/her accrued wages in the year of death, the payment should not be shown in box 1 (Wages, tips and other compensation).

Sandra Spencer is an employee subject to full-FICA. Mrs. Spencer's salary is \$50,000. She has elected to participate in Wiremasters' 401(k) plan by making an annual contribution of 10 percent of her salary (\$5,000). This amount is **not** included in box 1 but is included in boxes 3 and 5 and is subject to Social Security and Medicare taxes in boxes 4 and 6. The 401(k) contribution is also included in box 12, which is marked with code D. Sandra's unallocated tips equalled \$4,500. These are the tips she reported to Wiremasters and they are reported in box 1 as well as boxes 5 and 7. Sandra's allocated tips were \$3,000. They are reported in box 8 and represent amounts Wiremasters allocates to its employees. The allocated tips are not included as wages in boxes 1, 3, 5 or 7 and are not subject to Social Security, Medicare, or federal income taxes.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 49500.00		2 Federal income tax withheld 9900.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 50000.00		4 Social security tax withheld 3379.00		
		5 Medicare wages and tips 54500.00		6 Medicare tax withheld 790.25		
		7 Social Security tips 4500.00		8 Allocated tips 3000.00		
d Employee's social security number 000-78-5690		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial SANDRA		Last name SPENCER		11 Nonqualified plans		
420 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e D 5000.00		
				12b c o d e		
				12c c o d e		
				12d c o d e		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Copy A For Social Security Administration

Wage and Tax
Statement
2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The following W-2 for Sandra Spencer is incorrect. Please review these common errors and the discussion below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 50000.00		2 Federal income tax withheld 10000.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 50000.00		4 Social security tax withheld 4169.25		
		5 Medicare wages and tips 54500.00		6 Medicare tax withheld		
		7 Social Security tips 4500.00		8 Allocated tips 3000.00		
d Employee's social security number 000-78-5690		9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial SANDRA		Last name SPENCER		11 Nonqualified plans		
420 SMITH AVE. BALTIMORE, MD 21201		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12a See instructions for box 12 c o d e D 5000.00		
				12b c o d e		
				12c c o d e		
				12d c o d e		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Copy A For Social Security Administration - Send this
entire page with Form W-3 to the Social Security
Administration: photocopies are not acceptable.

Wage and Tax
Statement
2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer: 1) neglected to exclude the employee's contribution to the 401-(k) plan and failed to include the unallocated tip amount in box 1, Wages, tips and other compensation; 2) failed to apply the correct tax rate to taxable Social Security wages and tips (used combined Social Security and Medicare rate 7.65 percent); and 3) neglected to calculate any Medicare tax liability.

The calculations are:

- box 1: \$50,000 - \$5,000 = \$45,000 + \$4,500 [box 7] = **\$49,500.**
- box 2: \$49,500. [box 1] x 20% = **\$9,900.**
- box 4: (\$50,000 [box 3] + \$4,500 [box 7]) x 6.2% = **\$3,379.**
- box 6: (\$54,500 [box 5] x 1.45% = **\$790.25.**

Randolph Marano, a single parent, is a part-time employee of the Wiremasters Company. He is eligible for and elected to receive Advance EIC by properly completing Form W-5, EIC Advance Payment Certificate which must be completed each year. He received \$1,560 in Advanced EIC in 2004. This amount is reported in box 9. Advanced EIC is not wages and is not included in boxes 1, 3 and 5. It is not subject to Social Security, Medicare or Federal income withholding taxes.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-0198765		1 Wages, tips, other compensation 12220.00		2 Federal income tax withheld 2444.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 12220.00		4 Social security tax withheld 757.64	
		5 Medicare wages and tips 12220.00		6 Medicare tax withheld 177.19	
		7 Social Security tips		8 Allocated tips	
		9 Advance EIC payment 1560.00		10 Dependent care benefits	
d Employee's social security number 000-89-6701		11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial RANDOLPH		Last name MARANO		c o d e	
123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
		14 Other		12c c o d e	
				12d c o d e	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Wage and Tax

2004

Department of the Treasury-Internal Revenue Service

Form W-2

Statement

For Privacy Act and Paperwork Reduction

Copy A For Social Security Administration

Act Notice, see back of Copy D.

The following W-2 for Randolph Marano is incorrect. Please review these common errors and the discussion below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer identification number 00-0198765		1 Wages, tips, other compensation 13780.00		2 Federal income tax withheld 2756.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 13780.00		4 Social security tax withheld 854.36	
		5 Medicare wages and tips 13780.00		6 Medicare tax withheld 199.81	
		7 Social Security tips		8 Allocated tips	
		9 Advance EIC payment 1560.00		10 Dependent care benefits	
d Employee's social security number 000-89-6701		11 Nonqualified plans		12a See instructions for box 12	
e Employee's first name and initial RANDOLPH		Last name MARANO		c o d e	
123 MAPLE ST. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b c o d e	
		14 Other		12c c o d e	
				12d c o d e	
f Employee's address and Zip code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Wage and Tax

2004

Department of the Treasury-Internal Revenue Service

Form W-2

Statement

For Privacy Act and Paperwork Reduction

Copy A For Social Security Administration

Act Notice, see back of Copy D.

In this example, the preparer erroneously considered the \$1,560 Advance EIC payment wages and included it in boxes 1, 3 and 5 and withheld the appropriate income, Social Security and Medicare taxes. However, Advance EIC payments are not wages and are not subject to withholding of income, Social Security or Medicare taxes. Advance EIC payment amounts **should only be shown in box 9, Advance EIC payment.**

Junghee Kim is an employee subject to full-FICA. Her W-2 below is voided because the preparer made typographical errors by transposing some numbers. Please review the discussion below the Form W-2.

a Control number		22222	Void <input checked="" type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 52000.00		2 Federal income tax withheld 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 25000.00		4 Social security tax withheld 3224.00	
		5 Medicare wages and tips 25000.00		6 Medicare tax withheld 754.00	
		7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-01-8923		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans	
567 EASTERN AVE. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e	
		14 Other		12b c o d e	
				12c c o d e	
f Employee's address and Zip code				12d c o d e	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Copy A for Social Security Administration

Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The "Void" box was checked on the Form W-2 above because an error was made and the preparer completed a new Form W-2 (below). The amounts shown on the "Void" form above **should not** be included in the totals entered on Wiremasters' Form W-3.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008	
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 52000.00		2 Federal income tax withheld 10400.00	
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 52000.00		4 Social security tax withheld 3224.00	
		5 Medicare wages and tips 52000.00		6 Medicare tax withheld 754.00	
		7 Social Security tips		8 Allocated tips	
d Employee's social security number 000-01-8923		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial JUNGHEE		Last name KIM		11 Nonqualified plans	
567 EASTERN AVE. BALTIMORE, MD 21201		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12a See instructions for box 12 c o d e	
		14 Other		12b c o d e	
				12c c o d e	
f Employee's address and Zip code				12d c o d e	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax
					20 Locality name

Form **W-2**
Copy A for Social Security Administration

Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service
For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The Form W-2 above is correct and all the amounts from this Form W-2 **should be** included in Wiremasters' W-3 totals.

Dominique D. Johnson is a 50 year old employee subject to full-FICA with 2004 wages of \$77,000. Her GTLI coverage is \$300,000 and she contributes \$168 per year for that coverage. The taxable income is calculated as follows: \$300,000 coverage less IRS limit of \$50,000 = \$250,000. Compute cost per thousand, $250,000/1,000 = 250$. Multiply that amount by factor listed in IRS Publication 525, $(250 \times 0.23) = \$57.50$ per month. Yearly cost $(\$57.50 \times 12) = \690 less employee costs of \$168 $(\$690 - \$168) = \$522$ taxable income. Complete box 12a with code C.

Johnson contributes \$7,000 to a SIMPLE retirement account that is part of her 401(k) plan. The \$7,000 is not included in box 1 but is included for Social Security and Medicare wages and taxes. The amount is also included in box 12b, which is marked with code D. Johnson received \$150 in taxable fringe benefits, which is included in boxes 1, 3 and 5 with the applicable taxes withheld in boxes 2, 4 and 6. Johnson took various business trips for which she received a total per diem allowance of \$350. The amount is not included in boxes 1, 3 and 5 as the per diems were received at or below the IRS guidelines.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 70672.00		2 Federal income tax withheld 14134.40		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 77672.00		4 Social security tax withheld 4815.66		
		5 Medicare wages and tips 77672.00		6 Medicare tax withheld 1126.24		
		7 Social Security tips		8 Allocated tips		
		9 Advance EIC payment		10 Dependent care benefits		
d Employee's social security number 000-50-3210		11 Nonqualified plans		12a See instructions for box 12 c o d e C 522.00		
e Employee's first name and initial DOMINIQUE D 650 HOPE RD. BALTIMORE, MD 21202		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b c o d e D 7000.00		
		14 Other		12c c o d e		
				12d c o d e		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Copy A For Social Security Administration-Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see separate instructions

The following W-2 for Dominique D. Johnson is incorrect. Please review these errors and the discussion below the W-2.

a Control number		22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		
b Employer Identification number 00-0198765		1 Wages, tips, other compensation 77840.00		2 Federal income tax withheld 15430.00		
c Employer's name, address, and ZIP code WIREMASTERS COMPANY 123 SMALL BUSINESS WAY BALTIMORE, MD 21201		3 Social security wages 77840.00		4 Social security tax withheld 4826.08		
		5 Medicare wages and tips 77840.00		6 Medicare tax withheld 1128.68		
		7 Social Security tips		8 Allocated tips		
		9 Advance EIC payment		10 Dependent care benefits		
d Employee's social security number 000-50-3210		11 Nonqualified plans		12a See instructions for box 12 c o d e C 690.00		
e Employee's first name and initial DOMINIQUE D 650 HOPE RD. BALTIMORE, MD 21202		13 Statutory Retirement Third-party employee plan sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b c o d e D 7000.00		
		14 Other		12c c o d e		
				12d c o d e		
f Employee's address and Zip code						
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local Wages, tips, etc.	19 Local Income tax	20 Locality name

Form **W-2**
Copy A For Social Security Administration

Wage and Tax
Statement

2004

Department of the Treasury-Internal Revenue Service

For Privacy Act and Paperwork Reduction
Act Notice, see back of Copy D.

The W-2 above is incorrect because the preparer included Johnson's contribution to her SIMPLE retirement account as wages in box 1 and failed to reduce the GTLI income by Johnson's post tax payment of \$168.

Appendix A: Employer Checklist

The following checklist contains a number of basic steps you should take to help report accurately. This information has already been presented but is consolidated here for your convenience.

Recording and Verifying Social Security Numbers

- ☐ Always ask to see a job applicant's Social Security card to ensure that the name and SSN agree with the information recorded on the job application. If different, ask the applicant to visit a Social Security office to clear up any discrepancies.
- ☐ Record the name and SSN accurately.
- ☐ You may keep a photocopy of the employee's Social Security card in the employee's personnel records.

Preparing and Submitting Annual Wage Reports

- ☐ Consider filing electronically using one of SSA's electronic filing methods. For more information, see page 3 of this document or visit our website, <http://www.socialsecurity.gov/employer>.
- ☐ Use either the IRS official Forms W-2 and W-3 or privately printed substitute Forms W-2 and W-3. SSA accepts **only** 8 ½ inch wide Forms W-2 and W-3. All privately printed, substitute Forms W-2 and W-3 **must** adhere to the specifications contained in IRS Publication 1141, General Rules and Specifications for Substitute Forms W-2 and W-3.
- ☐ Here are several reminders on the specifications for creating substitute Forms W-2 and W-3 and the entry of data on all forms.
 1. Margins: Do not print, write or enter any data in the margins of the form(s). These areas are used for control information during SSA's processing.
 2. Printing the Form(s): Beginning with TY 2001, forms can be laser printed in black and white; see IRS Publication 1141 for rules and specifications. All other printing of Forms W-3 and W-2 will be in red OCR dropout ink, except for the form identifying numbers '22222' or '33333' at the top and the descriptive information at the bottom (including the tax year) which will be printed in nonreflective black ink. The font used to print data on Forms W-3 and W-2 should be very dark, 12-point courier. Do not use script, inverted, italics and/or dual case fonts when preparing the forms. Do not use inks that contain red pigment on forms that contain employer provided information.

3. Paper Requirements: Paper for privately-printed, substitute forms (cut sheets and continuous pinfeed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, **18-20 pound paper only**, OCR bond with specific weight requirements. The forms must be produced in accordance with the detailed specifications of IRS Publication No. 1141.
4. Data Entry:
 - Entries on the Forms W-2 and W-3 should be typed or machine printed whenever possible.
 - The data entered must be presented in clear, **dark** images to guarantee optically scannable forms.
 - Insert data in the middle of the blocks and be sure they are separated from other printing.
5. Separating the Forms: Continuous pin-feed forms should be separated at the page perforation into individual 11 inch deep pages (i.e., two Forms W-2 or one Form W-3 per page) in accordance with IRS Publication 1141. When separating forms, keep them in order and submit them in the order printed. **Note**: Cutting individual Forms W-2 to create two separate forms causes processing problems.
6. Mail all paper Forms W-3 and W-2 (Copy A) to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-
Send to:
Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001
**(For certified mail use ZIP
code 18769-0002)**

Other IRS Approved Private
Delivery Service-Send to:
Social Security Administration
Data Operations Center
Attn: W-2 Process
1150 E. Mountain Dr.
Wilkes-Barre, PA 18702-7997

- ☐ Ensure that a Form W-3 accompanies each “Kind of Payer” group of W-2's submitted.
- ☐ Check that the EIN is the number issued by the IRS and that it is consistently reported on all three Forms: W-2, W-3 and 941.
- ☐ Balance Forms W-2 with data on the Form W-3 and Form 941 or 943. To assure proper balancing when reporting:
 1. The Social Security wages and tips reported on the Forms W-2 should (a) equal the total Social Security wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Social Security wages and tips on Forms 941 or 943; and

2. Medicare wages and tips reported on the Forms W-2 should (a) equal the total Medicare wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Medicare wages and tips on Forms 941 or 943.

- ☐ Send Forms W-3 and Forms W-2 (**Copy A only**) to SSA - **not** IRS or other destinations.
- ☐ Make sure the same tax year is shown on both Forms W-3 and W-2 (Copy A).
- ☐ If you terminate your business, you must file Forms W-2 with SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed. Additionally, you must provide Form(s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. **Note:** Even if IRS gives you an extension of time to file Forms W-2 (Copy A) and Form W-3, you must still furnish 2004 Forms W-2 to your employees by January 31, 2005, unless you request an extension of time to provide Forms W-2 to employees (see below).
- ☐ You may request an extension of time for filing Forms W-2 (Copy A) with SSA by sending **IRS Form 8809, Request for Extension of Time to File Information Returns**, to the address shown on that form. To obtain this form, contact your local IRS office, call 1-800-829-3676 or visit the IRS website at www.irs.gov. For your request to be considered, it must be postmarked on or before the due date of the returns. If approved, you will have an additional 30 days to file. See IRS **Form 8809** for more details. **Note:** Please do not contact SSA to request an extension.
- ☐ If you file Forms W-2 on behalf of other employers in an "agent" capacity (after filing Form 2678 with the IRS), please remember to:
 1. Report on Forms 941 throughout the tax year, the wage and tax data for all employers (including the "agent" if the "agent" is also an employer) for which the "agent" is assuming a reporting responsibility and use the "agent" name and EIN on the Forms 941;
 2. Enter the "agent's" EIN in Box b and the "agent's" name and address in Box c of the Forms W-2 (Exception: When an employee's total Social Security wages exceed the taxable Social Security wage base, enter the "agent's" name, "agent for" Employer's Name, and "agent" address in Box c and the "agent's" EIN in Box b);
 3. Enter the ["agent" name] in Box f, ["agent" address] in Box g and the ["agent" EIN] in Box e of Form W-3; and
 4. Submit all Forms W-2 prepared on behalf of the other employers (and your own if you are also an employer) under one W-3 transmittal.

Note: See Chapter 2: Special Considerations for further information on agent reporting.

Post-Reporting Activities

- ☐ Do not submit paper Forms W-2 (Copy A) and/or Forms W-3 that contain the same information submitted to SSA on magnetic media or that were filed electronically.
- ☐ If, after submitting Forms W-2 and W-3, you identify differences between the Social Security wages/tips and Medicare wages/tips reported to SSA and the information reported to IRS on Form 941 or 943, evaluate whether you should submit correction reports to SSA (Forms W-3c and W-2c) and/or to IRS (Form 941c). Retain copies of this information with your tax records.
- ☐ Use a Form W-2c and W-3c to correct prior report submissions. Do not use a new Form W-2 or W-3.

Ongoing Activities

- ☐ Remind employees to promptly report any name changes (marriages, divorces, etc.) by completing and submitting a new SSA Form SS-5, Application for a Social Security Card, to SSA so their earnings can be credited to their earnings record. To obtain a SSA Form SS-5, use the SSA web site; *SSA Online* at <http://www.socialsecurity.gov/ssnumber> or call SSA's toll free number 1-800-772-1213 between 7 a.m. and 7 p.m., Monday through Friday. Employers can call the same toll-free number to obtain a supply of SSA Forms SS-5.
- ☐ Encourage employees to: (a) verify basic Form W-2 information each year, particularly their name and SSN and report any errors promptly, and (b) retain their copy of Forms W-2 to ensure proper credit of earnings to their SSA record.
- ☐ Remind employees that a W-5, Earned Income Advance Payment Certificate, must be completed each year by the end of the first payroll period.

Appendix B: SSA'S Regional Employer Service Liaison Officers

NOTE: THESE ARE NOT ALL TOLL-FREE NUMBERS

Please contact Social Security personnel for help with questions about how to submit **W-2s on magnetic media**. Refer to the Internal Revenue Service's (IRS) *Instructions for Forms W-2 and W-3* for information on filing **paper W-2s/W-3s**. If you are an employer, payroll service or an "agent" filing W-2s for employers, telephone the IRS Information Reporting Program Call Site at 1-866-455-7438, with employment tax questions. Contact the appropriate State Revenue Agency for questions regarding State reporting.

<u>Calls from:</u>	<u>Telephone:</u>	<u>Calls from:</u>	<u>Telephone:</u>
Alabama.....	(334) 223-7013 (Montgomery)*	Missouri	(816) 936-5649 (Kansas City, MO)
Alaska	(206) 615-2125 (Seattle)	Montana	(800) 314-1964 (Denver)
American Samoa....	(510) 970-8249 (San Francisco)	Nebraska.....	(816) 936-5649 (Kansas City, MO)
Arizona	(510) 970-8249 (San Francisco)	Nevada	(510) 970-8249 (San Francisco)
Arkansas	(501) 324-5130 (Little Rock)**	New Hampshire.....	(617) 565-2895 (Boston)
California	(510) 970-8249 (San Francisco)	New Jersey	(212) 264-1117 (New York)
Colorado	(303) 844-2364 (Denver)	New Mexico	(505) 346-7244 (Albuquerque)**
	(800) 314-1964 (Denver)	New York	(212) 264-1117 (New York)
Connecticut	(617) 565-2895 (Boston)	North Carolina.....	(919) 790-2877 Ext. 3007 (Raleigh)*
Delaware	(215) 597-4632 (Philadelphia)	North Dakota.....	(800) 314-1964 (Denver)
Dist. of Columbia...	(215) 597-4632 (Philadelphia)	Northern Mariana Isl..	(510) 970-8249 (San Francisco)
Florida-North	(904) 398-8925 Ext. 100	Ohio.....	(312) 575-4244 (Chicago)
	(Jacksonville)*	Oklahoma	(501) 324-5130 (Little Rock)**
Florida-South	(305) 672-4517 (Miami Beach)*	Oregon.....	(206) 615-2125 (Seattle)
Georgia-North.....	(404) 562-5769 (Atlanta)*	Pennsylvania	(215) 597-4632 (Philadelphia)
Georgia- South.....	(912) 264-0417 Ext. 109	Puerto Rico.....	(787) 766-5574 (San Juan)***
	(Brunswick)*	Rhode Island.....	(617) 565-2895 (Boston)
Guam	(510) 970-8249 (San Francisco)	South Carolina.....	(864) 582-1091 Ext. 260 (Spartanburg)*
Hawaii.....	(510) 970-8249 (San Francisco)	South Dakota.....	(800) 314-1964 (Denver)
Idaho	(206) 615-2125 (Seattle)	Tennessee	(615) 781-5803 Ext.206 (Nashville)*
Illinois.....	(312) 575-4244 (Chicago)	Texas-Central/South...	(512) 916-5391 (Austin)**
Indiana	(312) 575-4244 (Chicago)	Texas Dallas/North....	(817) 978-3123 (Fort Worth)**
Iowa	(816) 936-5649 (Kansas City, MO)	Texas-East.....	(281) 449-2955 (Houston)**
Kansas.....	(816) 936-5649 (Kansas City, MO)	Texas-West.....	(505) 346-7244 (Albuquerque)**
Kentucky.....	(859) 294-5153 Ext. 3055	Utah.....	(800) 314-1964 (Denver)
	(Lexington)*	Vermont	(617) 565-2895 (Boston)
Kentucky	(859) 219-1461 Ext. 111	Virgin Islands.....	(787) 766-5574 (San Juan)***
	(Nicholasville)*	Virginia	(215) 597-4632 (Philadelphia)
Louisiana	(504) 240-7321 (New Orleans)**	Washington	(206) 615-2125 (Seattle)
Maine	(617) 565-2895 (Boston)	West Virginia	(215) 597-4632 (Philadelphia)
Maryland.....	(215) 597-4632 (Philadelphia)	Wisconsin.....	(312) 575-4244 (Chicago)
Massachusetts	(617) 565-2895 (Boston)	Wyoming.....	(800) 314-1964 (Denver)
Michigan.....	(312) 575-4244 (Chicago)		
Minnesota	(312) 575-4244 (Chicago)		
Mississippi	(601) 693-4859 (Meridian)*		

* or Atlanta (404) 562-1315

**or Denver (303) 844-2364 or (800) 314-1964

*** or Puerto Rico and the Virgin Islands, toll-free number (866)-638-6497

Appendix C: IRS/SSA Publications

There are other IRS and SSA publications that can help employers file wage reports. Several key publications from each Agency are listed below.

IRS Publications

- Employer's Tax Guide, Publication 15 (Circular E)
- Employer's Supplemental Tax Guide, Publication 15-A
- Employer's Tax Guide to Fringe Benefits, Publication 15-B
- Farmer's Tax Guide, Publication 225
- Tax Guide for Small Business, Publication 334
- Federal Employment Tax Forms, Publication 393
- Reporting Back Pay and Special Wage Payments to the Social Security Administration, Publication 957
- General Rules and Specifications for Substitute Forms W-2 and W-3, Publication 1141
- General Rules and Specifications for Substitute Forms W-2c and W-3c, Publication 1223

You can get copies of these and other IRS publications via the IRS website @ www.irs.gov, by contacting the local IRS office listed in your telephone directory or calling toll free 1-800-829-3676 to request this information.

SSA Publications

- Employers Guide to Filing Timely and Accurate W-2 Wage Reports

For copies of this publication, please visit SSA's website at <http://www.socialsecurity.gov/employer/pub.htm> or contact your regional SSA ESLO listed in Appendix B.

- Software Specifications and Edits for Correcting Annual Wage Reports, Publication No. 31-031

You can obtain copies of this SSA publication by:

- ❑ Reading and printing directly from the Employer Reporting Instructions and Information section of SSA Online, <http://www.socialsecurity.gov/employer/pub.htm> or by
- ❑ Writing to:
Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

Appendix D: Chart to Relate Paper W-2/W-3 Entries to Magnetic Media Reporting and Electronic Filing Data Fields

<u>PAPER W-2 BOX 11</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
Nonqualified Plans Section 457	Code RW record, location 353-363
Not Section 457	Code RW record, location 375-385
<u>PAPER W-2 BOX 12</u>	
A Uncollected Social Security or RRTA Tax on Tips	Combine code A and B amounts and enter combined total in Code RO record, location 23-33
B Uncollected Medicare Tax on Tips	
C Employer Cost of Premiums for group-term life insurance over \$50,000	Code RW record, location 408-418
D Section 401(k) contributions	Code RW record, location 287-297
E Section 403(b) contributions	Code RW record, location 298-308
F Section 408(k)(6) contributions	Code RW record, location 309-319
G Section 457(b) contributions	Code RW record, location 320-330
H Section 501(c)(18)(D) contributions	Code RW record, location 331-341
J Sick Pay not includable as income	Not required by IRS for magnetic media or electronic reporting.
K Tax on excess golden parachute payments	Not required by IRS for magnetic media or electronic reporting.
L Non-taxable part of employee business expense reimbursements	Not required by IRS for magnetic media or electronic reporting.

<u>PAPER W-2 BOX 12 (cont.)</u>	<u>MAGNETIC MEDIA OR ELECTRONIC FILING</u>
M Uncollected Social Security or RRTA tax on cost of group-term life insurance over \$50,000	Code RO record, location 67-77
N Uncollected Medicare tax on cost of group-term life insurance over \$50,000	Code RO record, location 78-88
P Excludable moving expense reimbursements	Not required by IRS for magnetic media or electronic reporting.
R Archer Medical Savings Account	Code RO record, location 34-44
S Simple Retirement Account	Code RO record, location 45-55
T Qualified Adoption Expenses	Code RO record, location 56-66
V Income from the exercise of nonstatutory stock options	Code RW record, location 419-429
W Employer Contributions to a HSA	Code RW record, location 364-374
<u>PAPER W-2 BOX 13</u>	
Statutory Employee	Code RW record, location 486
Retirement Plan	Code RW record, location 488
Third-Party Sick Pay	Code RW record, location 489
<u>PAPER W-2 BOX 14</u>	
Other	Not required by IRS for magnetic media or electronic reporting.
<u>PAPER W-2 BOXES 15-20</u>	
State/Employer's State ID number, State and Locality wages and taxes	Not required by IRS for magnetic media or electronic reporting. This data would be needed if creating an RS record for state filing.
<u>PAPER W-3 BOX 14</u>	
Income tax withheld by payer of third-party sick pay	Code RT record, location 325-339

See IRS Publication No. 15-A

Appendix E: Acronyms

AWR	Annual Wage Reporting
BSO	Business Services Online
DOB	Date of Birth
EDT	Electronic Data Transfer
EIC	Earned Income Credit
EIN	Employer Identification Number
ESLO	Employer Service Liaison Officers
EVS	Employee Verification Services
FICA	Federal Insurance Contribution Act
FUTA	Federal Unemployment Tax Act
GTLI	Group-Term Life Insurance
HSA	Health Savings Account
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
MMREF	Magnetic Media Reporting and Electronic Filing
MSA	Medical Savings Account
MQGE	Medicare Qualified Government Employee
NQDCP	Nonqualified Deferred Compensation Plan
OCR	Optical Character Recognition
PKI	Public Key Infrastructure
RRTA	Railroad Retirement Tax Act
SARSEP	Salary Reduction Agreement Simplified Employee Pension
SEP	Simplified Employee Pension
SIMPLE	Savings Incentive Match Plan for Employees
SSA	Social Security Administration
SSN	Social Security Number
SSNVS	Social Security Number Verification System
TY	Tax Year